

Economic Impact Analysis
(Advisory Committee Internal Review Draft)

**The Proposed Development on the Broughton Landing site
in the Columbia River Gorge**



Prepared for the Broughton Lumber Company
January 18, 2006



S E G R O U P

Table of Contents

EXECUTIVE SUMMARY.....	3
INTRODUCTION AND BACKGROUND.....	4
DIRECT BENEFIT FROM CONSTRUCTION.....	5
SALES AND SALES TAX (CONSTRUCTION MATERIALS, SUPPLIES AND SERVICES)	7
ESTIMATED EXCISE TAX REVENUE (RESIDENTIAL COMPONENTS).....	8
DIRECT BENEFIT FROM OPERATIONS	8
ESTIMATED ANNUAL LODGING TAX REVENUES.....	9
INCREASED VISITATION TO THE URBAN AREAS	10
ESTIMATED SPENDING AS A RESULT OF RESIDENTS OR SEASONAL VISITORS	11
POTENTIAL IMPACTS ON LOCAL REAL ESTATE.....	13
POTENTIAL IMPACTS ON THE HOSPITALITY INDUSTRY	13
MODIFYING FACTORS.....	15
POTENTIAL IMPACTS ON RETAIL BUSINESSES IN NEARBY URBAN AREAS	17
INDIRECT BENEFIT FROM CONSTRUCTION AND OPERATIONS.....	18
CONCLUSION	19

List of Tables

TABLE 1 (LABOR AND MATERIALS COST SUMMARY)	6
TABLE 2 (OVERHEAD EMPLOYMENT SUMMARY).....	6
TABLE 3 (CONSTRUCTION JOBS SUMMARY).....	7
TABLE 4 (CONSTRUCTION SPENDING SUMMARY).....	7
TABLE 5 (REAL ESTATE AND PROPERTY SUMMARY).....	8
TABLE 6 (ONGOING RESORT EMPLOYMENT)	8
TABLE 7 (ONGOING RESORT OPERATIONS SUMMARY).....	9
TABLE 8 (SPA AND COFFEE SHOP TAX REVENUE SUMMARY)	10
TABLE 9 (TOTAL RESORT OCCUPANCY)	11
TABLE 10 (RESORT RESIDENT SPENDING SUMMARY)	13
TABLE 11 (SUMMARY OF HOTELS AND LODGES IN THE AREA)	15
TABLE 12 (INDIRECT JOB CREATION)	18
TABLE 13 (SUMMARY OF PROJECTED JOBS AND ECONOMIC IMPACTS)	19

Executive Summary

SE GROUP was retained to evaluate the economic impacts resulting from development of a master planned recreation resort at Broughton Landing in Skamania County, WA. This is required to address federal mandates regarding the potential conflict of this development with the second purpose of the Columbia River Gorge National Scenic Area Act. Specifically, the Act directs the Gorge Commission to “protect and support the economy of the Columbia River Gorge area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with protecting and enhancing scenic, cultural, recreational, and natural resources.”

The report was designed to take a broad perspective of the local economy and was based on the proposed development program. The analysis outlines the potential economic benefits and job creation during the construction phase of the project and the long term benefits for the local area in terms of tax revenues, job creation and other secondary effects.

The proposed Broughton Landing resort will have positive effects on tourism and general visitation to the area. The construction period will create 288 full time equivalents¹ (FTE) along with considerable tax revenues to the state and local governments. The tax revenues include \$1.4 million in excise tax revenues and ongoing real estate tax revenues in excess of \$1.0 million. The operation of the resort will add approximately 60 ongoing full time equivalents. The project is likely to have a positive effect on the real estate environment and surrounding outdoor activities. Other substantial benefits include the increased visitation and spending and the added indirect jobs and economic activity in the area.

Although the proposed development introduces a substantial number of residential units, it is not expected to have a marked negative effect on the existing real estate value in the area. Increased competition within the local hospitality industry is not a significant concern at this time. The proposed development will compete for non-traditional customers both from a price and amenity perspective. The proposed development has significant potential for attracting new visitors domestically and internationally.

¹ A measurement equal to one person working a full-time work schedule for one year

Introduction and Background

SE GROUP was retained to evaluate the anticipated economic impacts resulting from development of the proposed master planned Broughton Landing outdoor resource-based recreation resort. The focus of this report is to determine the economic impacts on the existing nearby Urban Areas of White Salmon and Bingen, Washington and Hood River, Oregon. The completion of this analysis is required to address federal mandates raised during the first Advisory Committee meeting on the project

One key concern raised by members of the project Advisory Committee at the October 24 meeting was potential conflict with the second purpose of the Columbia River Gorge National Scenic Area Act (PUBLIC LAW 99-663-NOV. 17, 1986). The Scenic Area Act gives clear direction for commercial development in the Gorge: it is to be encouraged to locate within the 13 Urban Areas identified by Congress. The Act directs the Gorge Commission to "protect and support the economy of the Columbia River Gorge area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with" protecting and enhancing scenic, cultural, recreational, and natural resources [Section 3(2)].

The Act is administered by the Management Plan for the Columbia River Gorge National Scenic Area which states that development is welcome outside the urban areas but it must not interfere with the prosperity of the Urban Areas. One of the key issues identified in the management Plan is the concern that "uncontrolled strip commercial development outside the Urban Areas could discourage new commercial growth in these Urban Areas." As a result, Commercial Land Use Policy #8 states: "Commercial uses located outside Urban Areas and Rural Centers shall be limited to a scale that serves local community and tourist needs."

The analysis has been divided into job creation and economic impacts during the construction phase and job creation and economic impacts during the operation of the resort.

The information in the report has been based on several sources of information. The analysis is based on a preferred development concept that has been identified by Broughton Lumber, Peterson Economics and SE GROUP with input from the project's Advisory Committee. This preferred alternative identifies the highest and best use of the site based on Peterson Economics' analysis of the resort and second home market. The preferred development program includes 250 new resort residential units (consisting of approximately 100 cabins, 100 townhomes and 50 condominiums), a central building with a lobby, administrative offices, a mid-sized restaurant, a resort-style pool, destination spa, fitness center and a coffee shop pub.

The information in this report has also been based on the pro forma statements and calculations that were provided by Peterson Economics in the preliminary market and financial analysis². The conclusions and numbers in the financial report forms the baseline for our calculation of the economic impacts on the surrounding areas. Additional information has been collected locally and has been provided by local sources such as the Skamania County office of the assessor and treasurers department. The models for the economic impact on the surrounding area were based on SE GROUP past experience and knowledge of such projects.

Direct benefit from construction

The impacts during the construction phase include the spending and economic activity associated with the entitlement, planning, design and construction of the proposed project. The construction of the 250 units during the 8 year construction period represents a significant addition to the economy of the White Salmon and Bingen, Washington and Hood River, Oregon urban areas. A summary of the cost associated with the project is included in Table 1.

The development of the site will involve a variety of contractors and services. There are a number of general contractors in the area surrounding the Broughton Mill site, and they may have the capacity to take on the majority of the jobs associated with the construction of the project. At this time, it is not determined that the developer/owner will use a local general contractor, however; is it likely that local contractors will capture a significant portion of this work.

² Preliminary market and financial analysis for a proposed new second home/resort development on the Broughton Landing site in the Columbia River Gorge, January 4, 2006

Table 1 (Labor and materials cost summary)

Labor and materials cost summary	
Total project cost including land	\$72,000,000.00
Less land	(\$2,000,000.00)
Total project cost	\$70,000,000.00
Less allowance for overhead, contingency, insurance, bonding, special conditions (15%)	(\$10,500,000.00)
Total project cost less land and allowances	\$59,500,000.00
Labor costs without burdens (50%)	\$29,750,000.00
Labor costs with burdens (80%)	\$47,600,000.00
Materials (20%)	\$11,900,000.00

Source: SE GROUP

A number of allowances has been separated from the total project costs in these calculations including those that are not directly associated with the onsite construction. Is not clear at this time where these jobs will be generated or located. There are a number of jobs associated with these expense categories and allowances (these are included in Table 2). These cost categories and allowances are excluded in the calculation of full time construction jobs in Table 1 to more accurately calculate direct on site labor costs and number of FTEs. It is estimated that these overhead positions will remain during the 8 year construction period for a total of 168 FTE.

Table 2 (Overhead employment summary)

Employment summary (number of additional positions during construction period)	
Project management	2
Administration	3
Legal	1
Planning	3
Finance	3
Sales staff	6
Marketing	3
Total	21

Source: SE GROUP

Table 3 has been prepared to indicate an estimate of the number of construction workers that will be employed at the site during the construction. The number of FTEs has been based on the total estimated construction cost of the project. The calculations were completed by dividing the estimated total labor costs by an average rate of all construction crews. This provided a total number of labor hours for the project. The number of hours for a construction worker per year was multiplied with the length of the construction period. The total number of labor hours for the project divided by the total number of hours per worker for the construction period allowed us to estimate the numbers of workers at the site at any given time. This number was then multiplied by the number of years of the construction period to indicate the number of full time equivalent positions for the entire project.

It is important to note the length of the construction period. As the construction goes over several years, it tends to favor the involvement of local contractors and businesses that may not have the capacity to take on this project in a shorter time period.

The construction of this proposed development at the Broughton Mill site will be completed by people that will be working within the local area for the duration of the construction. The total payroll during construction will approach \$30 million. Although there are no income taxes in Washington, people working at the site during the construction period will contribute significant through their own spending while at the site. The indirect effects and benefits due to the construction are captured as secondary effects and these are discussed in later parts of this report.

Table 3 (Construction jobs summary)

Construction jobs summary	
Labor costs without burdens	\$29,750,000.00
Average hourly crew labor rate	\$50.00
Total number of man hours	595,000
Working days in a year	260
Working hours in a year	2,080
Length of construction time (years)	8
Total hours per construction worker	16,640
Total number of workers on site during construction period	36
Total construction full time equivalents (FTE)	288

Source: SE GROUP

Sales and sales tax (construction materials, supplies and services)

Total amount of materials needed for the construction of the project was calculated based on the total construction cost. These true material costs are approximately \$12 million (see Table 1) and could be considerably higher. The type of finishes and type of construction for the residential, restaurant and club facilities will have an effect on the materials costs and the proportion of materials to labor.

The design and construction of the project outlines the use of materials and whether they are purchased locally or not. For this project, however, it was assumed that a majority of the materials could be purchased locally. Washington sales tax on construction materials in this region is currently 7.0 percent. A summary of the tax revenue generated from the construction materials have been included in Table 4.

Table 4 (Construction spending summary)

Construction spending summary	
Total construction full time equivalents (FTE)	288
Labor costs not including burdens	\$29,750,000.00
Materials	\$11,900,000.00
State sales tax revenue from materials (7 % rate in Washington)	\$774,000.00

Source: SE GROUP

Estimated excise tax revenue (residential components)

The sales of the residential units will generate significant state and local tax revenues. Table 5 is a summary of the tax revenues from the sales of the residential units and the ongoing yearly revenues that will benefit the community. The sales revenues have been based on the numbers that have been provided by Peterson Economics.

Table 5 (Real estate and property summary)

Real estate sales and property tax summary	
Estimated final value of properties	\$94,000,000.00
State real estate excise tax (1.28%) per year during 8 year sales period	\$150,000.00
Total state real estate excise tax (1.28%)	\$1,203,000.00
Local real estate excise tax (0.25%) per year during 8 year sales period	\$29,000.00
Total local real estate excise tax (0.25%)	\$235,000.00
Total excise tax on project	\$1,438,000.00
Ongoing yearly property tax revenue (\$10.75 per \$1,000 on average)	\$1,011,000.00

Source: SE GROUP

Direct benefit from operations

The resort will generate a number of jobs. Our estimate of job creation associated with the Broughton Landing second home/resort development has been adopted from other small resort communities. The anticipated number of employees has also been based on the estimates from Peterson Economics regarding the spa operations, a medium sized restaurant (85 seats) and a limited equipment and rental operation. There is potential for additional employees in these categories and these estimates are conservative. The number of staff at the resort is limited in part by the fact that the residential units are individually owned. The owners will have the opportunity to perform a majority of the supporting functions (laundry, food cleaning and so on) on their own.

Table 6 (Ongoing resort employment)

Ongoing resort employment summary (number of positions)	
Manager	1
Administrative, finance and oversight	3
Booking and reservations	4
Concierge	3
Spa operations	10
Building maintenance and groundskeeping	6
Laundry and cleaning personell	4
Restaurant staff	18
Beach club equipment rentals/retail	4
Sewer treatment crew	1
Housekeeping crew	6
Total	60

Source: SE GROUP

60 full time equivalent positions will be associated with running the resort. A number of employees will be part time and the number of employees will be significantly higher. With an estimated average salary between \$30,000 and \$40,000, the total salaries for resort staff will range from \$1.8 to \$2.4 million.

The indirect effects of the operation of the resort are numerous and include the residential maintenance and services provided to the owners and residents at the resort. A majority of these employees are expected to be come from the existing labor pool, thereby increasing local incomes³. This will have a positive effect on employment within the area.⁴ The employees that are recruited to this resort from outside areas are expected to find housing within the local areas. The additional FTE associated with these indirect effects are discussed later in this report.

A great majority of the buyers at Broughton Landing will occupy their units occasionally rather than residing at Broughton Landing on a full time basis. As a result, there will be only limited impacts on the local school systems and other public services.

Estimated annual lodging tax revenues

The annual lodging tax revenue generated from Broughton Landing has been estimated based on the financial analysis provided by Peterson Economics⁵. The number of units rented is based on the number of units available to the rental pool and estimated occupancy rates. These revenues are expected to increase during the construction period as more units become available. The hotel and motel tax revenue is based on the current tax rate (4.0 percent per room rate) and a summary of these revenues is included in Table 7. All units are expected to be completed by year eight. This year (year eight) should be considered an example of the ongoing revenues thereafter.

Table 7 (Ongoing resort operations summary)

Ongoing resort operations summary						
Year	3	4	5	6	7	8
Projected gross revenue from rentals	\$350,000.00	\$810,000.00	\$1,350,000.00	\$1,830,000.00	\$2,280,000.00	\$2,750,000.00
Hotel/motel tax revenue (4.0 % of room rates)	\$14,000.00	\$32,400.00	\$54,000.00	\$73,200.00	\$91,200.00	\$110,000.00
Net operating income from rental operations	\$30,000.00	\$90,000.00	\$160,000.00	\$230,000.00	\$280,000.00	\$340,000.00

Source: SE GROUP

The projected business and occupation tax represent another yet smaller potential revenue source for the local communities. This tax is based on business gross receipts. A summary of

³ E.D Hovee and Company, LLC. Broughton Mill Site Reuse Economic Impact Statement (page 17)

⁴ Currently Skamania County lags behind the state with a much higher unemployment rate. In 2004, unemployment within Skamania County was 9.2 whereas statewide unemployment was 5.8

⁵ Preliminary market and financial analysis for a proposed new second home/resort development on the Broughton Landing site in the Columbia River Gorge, January 4, 2006

the potential business and occupation tax revenue associated with the project is included in Table 8.

Table 8 (Spa and coffee shop tax revenue summary)

Spa and club tax revenue summary						
Spa operations projected revenue	\$120,000.00	\$260,000.00	\$420,000.00	\$550,000.00	\$690,000.00	\$830,000.00
Coffee Shop Pub, retail and rental income	N/A	N/A	N/A	N/A	N/A	N/A
Projected business and occupation tax (0.015 for services and other activities and 0.00471 for retailing) base on gross receipts	\$1,800.00	\$3,900.00	\$6,300.00	\$8,250.00	\$10,350.00	\$12,450.00

Source: SE GROUP

Increased visitation to the urban areas

The completion of the proposed Broughton Landing resort will have positive effects on the tourism and general visitation to the area. Major redevelopment projects can have tremendous effects on the surrounding area and businesses. The notion that something new is coming to the area will generate excitement and interest in general. The second home and commuter market in Hood River and surrounding areas continues to improve. This project is likely to generate additional excitement for the area and the outdoor amenities that exist. This will have a positive effect on the real estate environment and the surrounding outdoor activities.

A report by E.D Hovee and Company speaks to the transition of Skamania County to become more dependent on tourism. Timber continues to become less important within the county. Out of all the counties in Washington, Skamania is now the most tourism dependent. Almost 15 million of the earnings within the county came from tourism in 2003 and 18.5 percent of county earnings are generated from travel related activities. Travel spending has increased significantly in the last decade⁶. Travel spending has reached \$51.5 million in 2004 and hotel and motel accommodations have seen a majority of this new spending⁷. Travel spending in Hood River, Oregon has reached \$63.9 million in 2004 and currently employs more than 1,000 people⁸. In total, during 2003, visitors spent in excess of \$50 million⁹ and tourism accounted for approximately 870 jobs in the county. The new development at Broughton Landing has the potential to support this trend of tourism and recreation within the county.

⁶ Washington State County Travel Impact, Oct 2002, Office of Trade and Economic Development

⁷ Skamania County Trade and Revenue Study, Par 1 Report, August 2003

⁸ Oregon Travel Spending by County, Dean Runyan Associates Portland Oregon

⁹ E.D Hovee and Company, LLC. Broughton Mill Site Reuse Economic Impact Statement (page 17)

A high priced quality resort will attract more affluent buyers and add prestige and visibility to the area in general. There are numerous examples of how resort developments and revitalization efforts tend to increase surrounding real estate value¹⁰.

The creation of the proposed Broughton resort has the potential to generate substantial interest among international visitors and windsurfers in particular. As the site is known internationally as one of the best windsurfing spots in the world, there are real possibilities to cater to this group.

Despite the upside and benefits to the area in terms of interest, excitement and additional visitation to the area, it is our opinion that these effects are near impossible to forecast.

Estimated spending as a result of residents or seasonal visitors

The total resort occupancy (average number of people staying overnight) can be calculated by adding the anticipated occupancy rates among owners and adding the occupancy of the anticipated rented units. This was then used to create an estimate of the economic activity and spending associated with people staying at the resort. A summary of these calculations is included in Table 9.

Table 9 (Total resort occupancy)

Total resort occupancy									
Year	1	2	3	4	5	6	7	8	Ongoing
Total number of units	0	40	82	122	154	186	218	250	250
Total number of bedrooms	0	70	148	230	310	390	470	555	555
Total number of beds	0	140	296	460	620	780	940	1100	1100
Anticipated daily occupancy at the resort (number of people). Based on occupancy in the area, rental program, number of rooms and beds at the resort.	0	35	74	115	155	195	235	270	270

Source: SE GROUP

The calculations considered the significant seasonality of the lodging in the area and the relatively low annualized occupancy rates of hotels and motels in the area. The occupancy is expected to fluctuate from a low of 10-20 percent in the low season to a high of 70-75 percent during the peak season. Occupancy is furthermore expected to fluctuate significantly during the week. Yearly averages of unit occupancy of 40 percent were applied. It is possible that the average occupancy may be less than this during portions of the season and in particular as many of the units may be used as second homes and not entered in the rental pool. There is the possibility that many of the units will have much higher occupancy during the high season and holidays. Yearly average occupancy at 40 percent is a conservative estimate.

¹⁰ The Suncadia Resort, Roslyn, Washington is one such development where surrounding real estate values have been positively affected by a new resort development.

It was estimated that the resort will maintain 40 percent bed-base occupancy for units that are occupied. Bed occupancy has been based on an adjustment of family households of 2.5 persons per family. Considering that this will be a second home resort, it was estimated that occupied units will house more than a family household of 2.5 persons on average. This is because people tend to travel with friends and tend to invite other family members to their vacation homes. The units in the proposed alternative include a significant number of bedrooms and beds to accommodate this. The conservative estimates of occupancy (100 units) and the estimated number of people per unit (2.7) (number of beds occupied per unit) indicates an average of 270 visitors staying at the resort.

The increased number of people staying at the resort will increase visitation to the surrounding area businesses and attractions. The Travel Industry Association of America (TIA) reports that shopping continues to be the most popular trip activity for U.S. adult travelers. Approximately 63 percent of travelers include shopping as an activity while on vacation. TIA has also found that spending on shopping activities for Americans during trips average about \$560 dollars per trip in total. Vacation trips last about 4.8 days¹¹. Vacation spending on shopping activities among travelers is in excess of \$110 dollars per day.

Shopping is only one of many ways that people spend money during their vacation, and TIA reports that vacationers often tend to include visits to historical places or museums, outdoor recreation, water activities, visits to national or state parks, and attending cultural events¹². TIA furthermore reports that shopping travelers tend to spend an average of \$531 per trip on all trip-related expenses excluding transportation to the destination. This averages approximately \$110 dollars per night per traveler (A majority of this spending includes lodging and food).

The Skamania County Travel and Revenue Study highlights that two thirds of all local retail sales are supported by non-local Visitors that travel to Skamania County for recreation and relaxation¹³.

It is important to note that TIA's numbers based on vacationers on leisure/shopping trips and the characteristics of such travelers may be very different from the residents at the proposed resort at the Broughton Landing resort. A majority of the daily occupancy at the resort will be by owners. Owners (primary residents and those that use their units as second home are expected to spend significantly less money on shopping and other activities in the community when compared to the above averages by TIA. Our estimates of visitor spending were based on an average of \$80 per day. The summary of resident spending is included in Table 10.

¹¹ http://www.tia.org/pressmedia/domestic_a_to_z.html#e

¹² http://www.tia.org/researchpubs/executive_summaries_shopping_traveler.html

¹³ Skamania County Trade and Revenue Study, Part 1 Report, August 2003

Table 10 (Resort resident spending summary)

Resort resident spending summary	
Anticipated average unit occupancy	100
Estimated number of people per unit	2.7
Anticipated daily occupancy at the resort (number of people). Based on occupancy in the area, rental program, number of rooms and beds at the resort.	270
Total yearly overnight occupancy (person days)	99000
Local recreational spending/person/day	\$80.00
Total yearly resident and visitor spending while at resort	\$7,920,000.00

Source: SE GROUP

It is difficult to estimate how this spending may get distributed throughout the nearby urban areas, but Hood River will likely capture a majority of the shopping revenue due to its already existing retail and food establishments. A portion of the revenue is also expected to be captured by the surrounding towns such as White Salmon and Bingen.

Potential impacts on local real estate

Our work and the report by Peterson Economics have found that the residential and recreational (second home) market in the area have seen a significant upswing in the last five years. The current market is solid, with increasing construction activity of residential/vacation homes. New product is absorbed quickly, and the price levels of residential products have increased substantially during the past five years.

There may be concerns that this project may negatively affect the surrounding property values in the nearby areas. The size of this proposed project will introduce a significant number of new residential units when compared to the current housing units, in particular when considering the small resident population in these areas. The new units associated with this project will be introduced over a period of 8 years, and this will mitigate some of the impact of the project on the surrounding market. The effect of the project is limited further by the fact that the majority of the buyers for the properties are predicted to originate from the surrounding markets such as Portland and Seattle and target upscale buyers with higher price points than what is currently sold in the area. Based on the information available and the intended product at Broughton Landing it is reasonable to conclude that the current project does not compete directly with what is currently constructed and sold in the area.

The introduction of these new units and the increased supply will likely not detract or adversely affect the local real estate market. It is more likely that the revitalization at Broughton Landing will improve the overall perception of the area and have a positive impact on real estate surrounding the site.

Potential impacts on the Hospitality Industry

A pervious draft of our Economic Impact Analysis (EIA) expressed some concern regarding the construction of another destination lodge or other potential resort facilities at this time.

The occupancy rates at the current lodging facilities in the area are fairly low (less than 45 percent on average) and very seasonal¹⁴. During the off season, occupancy at some hotels and lodges tend to drop below 20 percent.

The new proposed resort development at Broughton Landing has the potential to affect lodging business in the surrounding area by introducing more competition for lodging and transient guests. In particular, the additional lodging units have been a concern as occupancy rates at the current lodging facilities in the area remain low, in particular, during the off season.

The project will add a total of 250 residential units. The proposed occupancy restrictions of the development outlines that 70 percent of these units (175 units) will be short-term occupancy units¹⁵. At this time the region has approximately 1,198 rooms available as part of lodges, hotels and motels. Please refer to Table 1 for a summary of the hotels and lodges identified. The addition of the proposed 175 units of short-term occupancy housing represents a significant increase (15 percent) of hot bed accommodations to the region and will create additional competition in an already competitive market.

¹⁴ Communications with resort and hotel owners in White Salmon, Bingen, Hood River areas

¹⁵ Please refer to do the occupancy restrictions document for further explanation of the limitations on permanent occupancy

Table 11 (Summary of hotels and lodges in the area)

Location	Hotel	Room rates (low season)	Room rates (peak season)	Capacity
Stevenson				
	Columbia Gorge Riverside Lodge	\$74.00	\$169.00	8
	Skamania Lodge	\$99.00	\$309.00	254
	Econo Lodge Stevenson	\$49.00	\$79.00	30
Home Valley, Carson, Bonneville				
	Bonneville Hot Springs Resort	\$99.00	\$399.00	78
	Sandhill Cottages	\$65.00	\$85.00	6
	Wind Mtn. Resort	\$59.00	\$99.00	3
	Carson Ridge Bed & Breakfast	\$115.00	\$195.00	7
	Carson Mineral Hot Springs	\$81.00	\$100.00	67
Cascade Locks, OR				
	Best Western Columbia River Inn	\$59.00	\$149.00	62
Hood River, OR				
	Hood River Hotel	\$69.00	\$169.00	41
	Comfort Suites Hood River	\$89.00	\$150.00	62
	Best Western Hood River Inn	\$63.00	\$99.00	152
	Columbia Gorge Hotel	\$200.00	\$300.00	40
	Vagabond Lodge	\$44.00	\$107.00	40
	Riverview Lodge	\$46.00	\$189.00	22
	Praters Motel	\$39.00	\$50.00	7
	Lone Pine Motel	\$25.00	\$70.00	8
	Oak Street hotel	\$119.00	\$149.00	9
White Salmon and Trout Lake				
	Inn of the White Salmon	\$106.00	\$143.00	16
	The Farm, A Bed and Breakfast	\$80.00	\$90.00	2
The Dalles				
	Best Western River City Inn	\$59.00	\$79.00	63
	Comfort Inn the Dalles	\$70.00	\$90.00	56
	Super 8 Motel The Dalles	\$57.00	\$105.00	72
	Cousins Country Inn	\$69.00	\$119.00	93
Total				1,198

Source: SE GROUP and Peggy Bryant, Executive Director, Skamania County Economic Development Council

Modifying factors

Despite the relative high number of proposed additional lodging units, there are a number of factors that could potentially diminish competition-related impacts on the existing hospitality industry in the area. These are outlined below.

Different lodging alternatives

Broughton Landing will introduce new lodging alternatives such as cabins, cottages, town homes, and condos. The lodging units introduced by the proposed development at the Broughton Mill site are different from existing local hospitality enterprises.

The existing lodging operations evaluated in this analysis included the major lodges and hotels in the area along with a number of smaller hotels and lodges. Although some of these lodging facilities have larger accommodations and suites, a great majority of the accommodations consist of smaller businesses which offer one and two bedroom accommodations. The accommodations commonly include one bath and most do not include any type of kitchen facilities, dining rooms and or living areas.

By contrast, these new lodging proposed at Broughton Landing include multiple rooms, common areas, bedrooms, kitchen facilities and a total of up to 6 - 8 beds per unit. These types of accommodations are currently only available to travelers and visitors through the rental of second or primary homes in the area.

These new lodging units will also have a number of unique amenities and outdoor recreation opportunities including:

- Direct access to two premier windsurfing launch sites ("the Hatch" and Broughton Beach), unique in the Gorge. No other hospitality enterprises have such access
- A central lodge with concierge, indoor swimming pool, fitness center and spa
- A covered sports pavilion with court sports and a climbing gym
- A skate park
- A 13.6-mile network of scenic recreational trails;
- A restaurant, coffee shop and pub

These features further distinguish Broughton Landing from other local hospitality options, especially vacation rentals. The lodging facilities with the onsite amenities represent an entirely new alternative to the existing lodging choices within the area. These new lodging alternatives at Broughton Landing (cabins, cottages, town homes, and condos) will therefore not compete directly with the majority of the existing hotel single room lodging alternatives or even vacation home rentals.

New customers

Further research on this topic revealed the following:

- A majority of the available hotel rooms accommodate relatively price-sensitive customers
- A majority of the current lodging capacity is designed for short term occupancy (less than one week). A majority of the total room capacity (1,198 in the general area) does not have the space or the facilities for the guests to do their own cooking or maintain a separate living space.
- The majority of the current lodging capacity consists of hotels and lodges; thus are not as well-suited for family vacation use.
- The hospitality industry nationwide has seen increasing demand for higher standard, large, private and luxury accommodations.

Currently there is a limited selection of accommodations in the area for travelers and families seeking larger, higher standard and longer term lodging. The new lodging alternatives at Broughton Landing have the potential to attract these travelers whose needs are not met by the current local hospitality industry. In particular, these new lodging units will satisfy customers who are willing to spend more on their lodging and who put value on privacy, additional space, quality finishes and facilities and resort-style amenities.

These lodging facilities also have the potential for catering to people who would like to stay at the same place for longer time periods, (between 3 days to several weeks). Broughton Landing allows for this through units with multiple rooms, kitchen and up to a total of 6 - 8 beds per unit. This allows people to cook their own meals and have enough room and privacy to stay comfortably for weeks at a time. The demand for larger lodging accommodations is supported by the increasing demand and increasing prices for vacation home rentals in the Gorge¹⁶. A number of vacation, second homes and primary homes are now rented in the area.

International visitors

As have been described in this report, the exceptional outdoor and windsurfing amenities at the site have the potential through this proposed development to generate added national and international demand from windsurfers. The site is known internationally as one of the best windsurfing spots in the world, yet there are only limited facilities and lodging opportunities for this potential group of visitors.

There has been discussion among actors in the hospitality industry regarding the willingness of the windsurfing community to rent high end facilities. It is clear from our demographic research that a large portion of windsurfers have the capacity and are willing to pay for lodging at windsurfing locations. The location of the lodging immediately next to the water, equipment and surf location should be considered essential for the success of such accommodations among windsurfers¹⁷.

Potential impacts on retail businesses in nearby urban areas

In addition to the introduction of additional real estate and lodging capacity, concerns have been raised that the operation of retail facilities and a restaurant may compete with and detract from local businesses. The proposal includes limited retail related to the resort and to the resource-based recreational nature (including windsurfing equipment). The limited rental operation identified in the proposal does not have the potential to affect retail sales in nearby urban areas. The proposed resort alternative also includes a medium sized restaurant. This restaurant is envisioned to serve owners and visitors, but its size should not siphon significant business activity from nearby restaurants and eateries.

¹⁶ <http://www.gorgerentals.com/index.html>, <http://www.columbiagorgevacationrental.com/rates.asp>, <http://www.gorgeres.com>, <http://www.hoodriverhideaways.com>, <http://www.hrvacations.com>

¹⁷ Tony Kardol, Vela Windsurf Resorts

Indirect benefit from construction and operations

Our analysis has indicated that the economic activity (construction and ongoing operations) generated by Broughton Landing will have several positive benefits and effects on the surrounding area. In addition to these direct effects, there will be additional indirect job creation and economic activity generated from the project. These indirect effects are difficult to measure or validate. Many attempts have been made to construct models that can estimate the additional employment and economic activity on the surrounding areas for different projects and economic activity. Multipliers are often used to calculate this additional employment or economic activity, yet often little science is behind the size of the multiplier.

The proposed second home resort development at Broughton Landing will generate a number of indirect jobs and positive economic activity. Employment and economic multipliers generally range from 1.4 to 1.8 based the type of the project and circumstances. The construction of this project will have indirect effects that are similar to other resort projects with limited commercial activities. The multiplier applied in this model was 1.4.

The ongoing operations will also generate indirect employment and economic activity. These indirect effects are considered to be relatively minor as the ongoing operation revenues are a relatively small proportion of the total investment and considering the very limited retail portion of the project. A multiplier of 1.2 was applied to our model for these ongoing indirect effects. The estimate of indirect job creation is included in Table 12.

Table 12 (indirect job creation)

Indirect job creation	
Additional local local job creation (FTE) as a result of construction spending (1.4 multiplier)	120
Additional local local job creation (FTE) as a result of operations (1.2 multiplier)	12

Source: SE GROUP

Conclusion

Our analysis evaluates the anticipated economic impacts resulting from development of the proposed master planned Broughton Landing outdoor resource-based recreation resort to determine the economic impacts on the nearby Urban Areas of White Salmon and Bingen, Washington and Hood River, Oregon. This analysis determined that the economic impacts to these areas are very positive. There will be substantial new job creation during the construction period along with substantial tax revenues to both state and local governments. Please see table 13 for a summary of projected number of jobs and economic benefits to the surrounding area.

Table 13 (Summary of projected jobs and economic impacts)

Summary of projected jobs and economic impacts		
Projected employment		
Total construction full time equivalents (FTE)		288
Estimated Local Total Construction Payroll		\$30,000,000.00
Total ongoing resort operations (FTE)		60
Estimated Local Ongoing Payroll		\$2,400,000.00
Indirect job creation		
Total due to construction (FTE)		120
Total ongoing due to operations (FTE)		12
Estimated overhead employment during construction (FTE)		168
Tax revenues (thousands of dollars)		
One time due to construction		
State sales tax revenue from materials		\$774,000.00
Total excise tax on project		\$1,438,000.00
Ongoing revenues		
Property tax		\$1,011,000.00
Hotel/motel tax		\$110,000.00
Business and occupation tax		\$12,000.00
Visitor spending		
Total yearly resident/visitor spending		\$7,920,000.00

Source: SE GROUP

It is important to note that a majority of these jobs and economic activity are added to the current economic environment and will not have a negative effect on current jobs and the economic activity in the area.

The addition of rental units may compete with the existing lodging establishments in the area. However, the effect of the increased competition among these businesses is mediated by the fact that the resort has lodging alternatives that are significantly different from what currently exists in the area, that the development will attract new customers and not compete directly with the existing facilities, and lastly, that the development has the potential to attract a significant portion of international visitors. The preferred alternative will have little or no adverse impact on the surrounding area in terms of restaurant or retail facilities.