An aerial photograph showing a large-scale highway bypass project. The new road, a multi-lane highway with a bridge, curves through a residential neighborhood with many houses and trees. The surrounding landscape includes rolling hills, fields, and some industrial buildings in the distance. The sky is clear and blue.

**THE ECONOMIC IMPACT  
OF THE CONSTRUCTION  
OF THE KALISPELL BYPASS**

## Executive Summary

This report is an economic impact analysis of the construction and economic activity created by the Kalispell Bypass. The authors are Ed Toavs, Montana Department of Transportation's Missoula District Administrator and Steve Peterson, Clinical Assistant Professor in Economics at the University of Idaho. The sponsor of the study is the Montana Department of Transportation (MDT).\*

The Kalispell Bypass is an approximate \$135 million new highway built around the west side of the City of Kalispell in northwest Montana. Its primary purpose is to provide the public with a north-south alternate route around Kalispell. The primary north-south route in the Kalispell area is US 93 (Main Street) and is controlled by a series of signals to regulate traffic flow. The Kalispell Bypass is designed for free-flow traffic movement resulting in a more efficient and timely drive through the Kalispell area. The construction of this bypass was planned in conjunction with local city and county land-use planning for the west side bypass area and through the expansion of local business opportunities has led to substantial economic impacts for this area of Montana.

This project's economic impacts span a 16-year period from 2001 to 2016. The impacts have three major components: 1) Bypass (highway) construction expenditures 2) New business and residential construction along the bypass, and 3) New firm operations to the regional economy attributable to the bypass.

The Bypass is unique for Montana because it is a new highway as contrasted with upgrading an existing thoroughfare. The total nominal construction expenditures are \$135 million over the 16-year life of the project. The project also provided new access to land that expanded the business and residential construction and operations that largely would not have existed in the absence of the project. Specifically, we estimate that 65% of the business and residential construction is new monies to Flathead County (Kalispell) and attributable to the project. For business operations, we estimate that 33% of the new firm operations were new businesses and expenditures to Flathead County attributable to the project.

An economic impact assessment was conducted on the three components of the project and an input/output (IMPLAN) model of Flathead County was created to measure the impacts. The economic impacts include the multiplier effects (i.e. the direct impacts, indirect impacts, and induced impacts). The yearly results are presented in Figure 1. The average annual impacts are presented at the bottom of the table. Impacts are reported by several metrics: Sales (output) impacts are a gross measure and represent the total community transactions arising from the project (including the multiplier effects). Gross Regional Product is a subset of sales and represents a net contribution to the regional economy. The Total Compensation (payroll) column presents the wage impacts of the project and the Jobs (employment) column representing full- and part-time job creation from the project.

*\*This report represents the opinions of the authors and are not official positions of Montana Department of Transportation or University of Idaho (UI). This report originated from a project of Ed Toavs in the UI Executive Master of Business Administration (EMBA) program*

<b>Total Economic Impacts of the Kalispell Bypass</b>					
<b>Includes the Direct, Indirect, and Induced Impacts</b>					
Year	Sales	Gross Regional Product	Total Compensation	Jobs	
2001	\$ 14,378,811	\$ 7,744,354	\$ 5,248,334	142	
2002	\$ 16,914,825	\$ 9,735,274	\$ 6,144,643	167	
2003	\$ 19,377,917	\$ 11,259,768	\$ 6,852,909	196	
2004	\$ 35,044,696	\$ 19,997,608	\$ 12,491,165	352	
2005	\$ 35,485,531	\$ 20,924,030	\$ 12,467,775	360	
2006	\$ 56,246,904	\$ 32,532,821	\$ 19,931,604	567	
2007	\$ 94,027,074	\$ 53,813,710	\$ 33,235,369	931	
2008	\$ 57,757,634	\$ 35,495,830	\$ 19,908,103	594	
2009	\$ 72,950,860	\$ 43,796,319	\$ 25,422,274	744	
2010	\$ 122,962,785	\$ 70,391,646	\$ 43,614,577	1,205	
2011	\$ 65,151,918	\$ 40,203,306	\$ 22,413,136	671	
2012	\$ 85,390,069	\$ 51,034,899	\$ 29,851,287	867	
2013	\$ 103,336,272	\$ 61,042,019	\$ 36,444,456	1,045	
2014	\$ 114,116,352	\$ 67,672,592	\$ 40,122,145	1,157	
2015	\$ 138,198,243	\$ 81,722,793	\$ 48,155,506	1,391	
2016	\$ 179,356,137	\$ 104,711,283	\$ 63,265,871	1,775	
<b>Avg.</b>	<b>\$ 75,668,502</b>	<b>\$ 44,504,891</b>	<b>\$ 26,598,072</b>	<b>760</b>	

**Figure 1 – Total Economic Impacts**

**Results:** The average annual sales or gross economic impact of the construction of the Kalispell Bypass is over \$75 million annually over the life of the project (including the multiplier effects). Given the state and federal investment of about \$135 million, the average annual economic impact illustrates the importance of the project to local economic development. The average annual gross domestic product contribution from the project is over \$44.5 million per year.

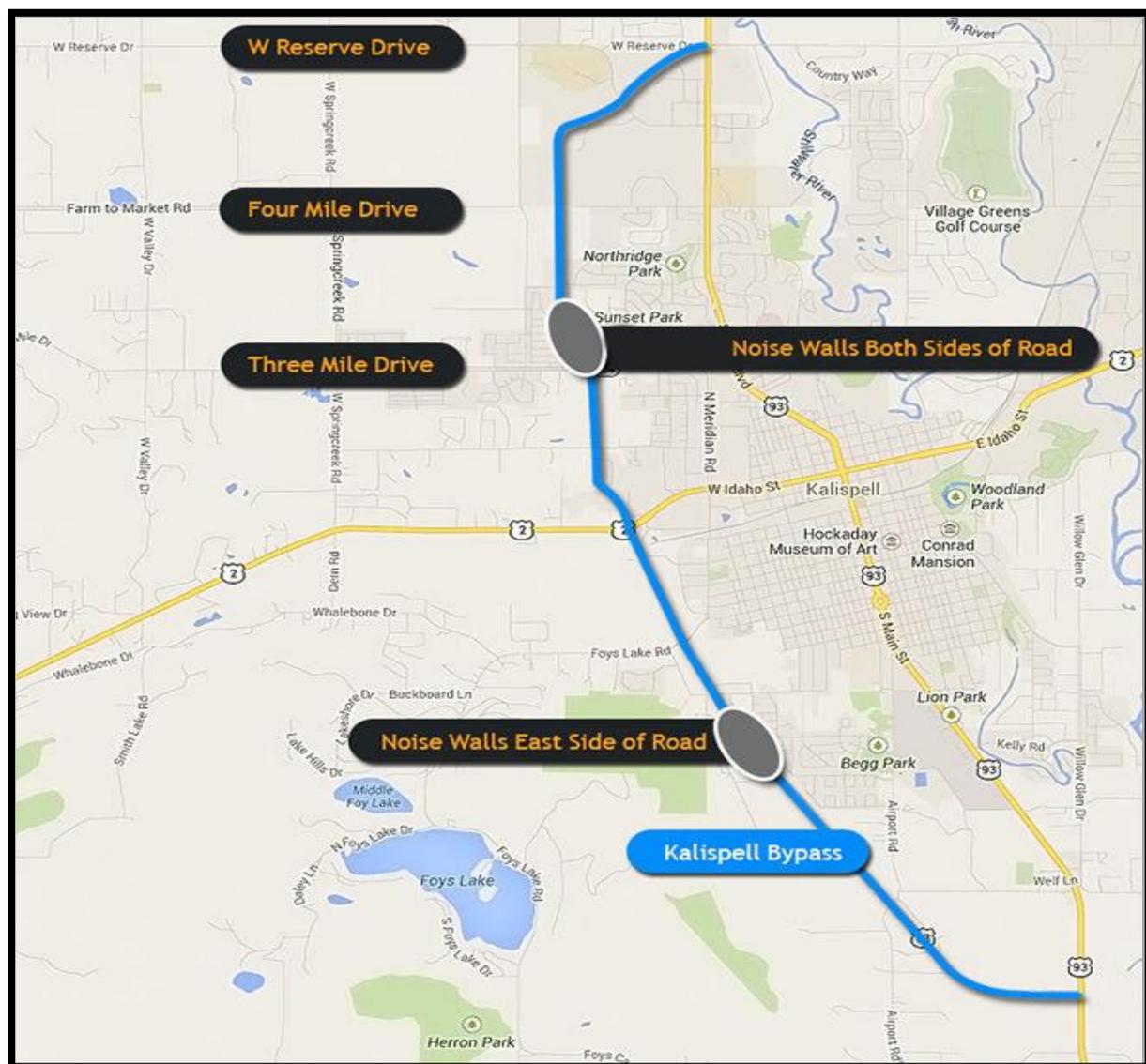
The project also creates an average of 760 jobs annually and \$26.6 million in total annual compensation. Economic growth surrounding the Bypass corridor will continue in the future, leading to development opportunities that will expand due to the construction of the Bypass.

The economic impacts have increased over the life of the project from 142 jobs in 2001 to 1,775 jobs in 2016. The main drivers have been increases in the construction of new firms and businesses, business cumulative operations impacts, and additional Bypass construction. In the long-run, the construction impacts will end for the Bypass and they be substantially reduced for new business construction and expansion. However, the cumulative impacts of the business and firm operations will last into the long-run future.

**Tax Impacts:** The average annual tax impacts to state and local coffers are \$2 million in property taxes, \$2 million in excise taxes, and \$900k in income taxes for a total of nearly \$5 million in tax revenue, including the multiplier effects.

**Secondary Effects:** The Kalispell Bypass has provided benefits to the Flathead Valley which were not included in the economic analysis as impacts. These are important beneficial aspects of the Bypass project and are not quantifiable for reporting impacts but deserve recognition and are listed below.

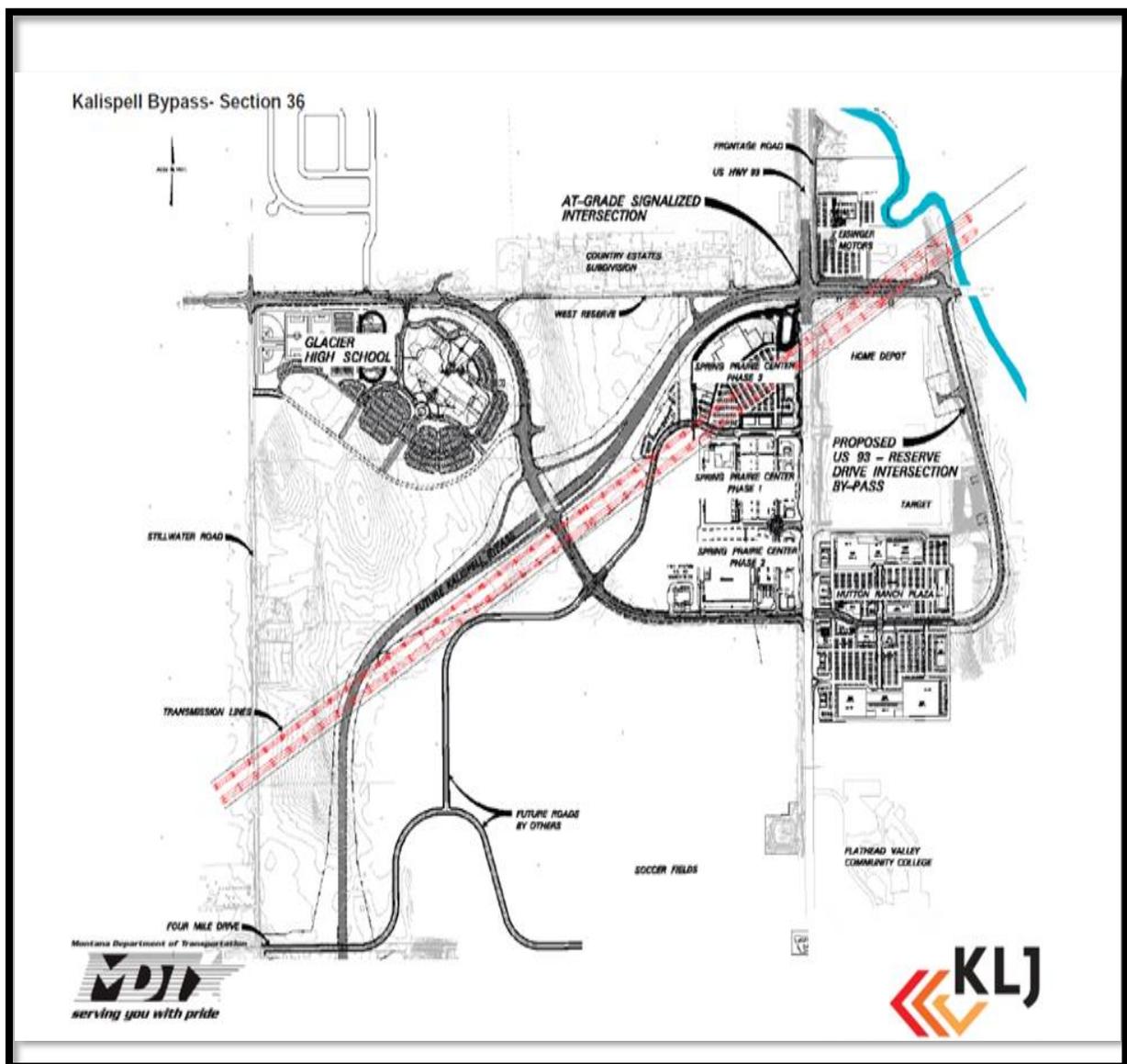
- Improved safety and capacity for Kalispell’s urban transportation system.
- Montana DNRC land development for income generation designated to K-12 Montana schools.
- Provided a transportation system for access to Glacier High School.
- Improved access to Flathead Valley Community College (FVCC).
- Constructed a transportation network which allows new access to properties for development.
- Improves drainage and water quality for Kalispell’s west side residential and commercial areas.
- The Bypass corridor represents a new public utility corridor for enhancing utility capacity.
- The project constructed bike and walking paths that connect to the area’s existing shared-use path network resulting in safety enhancements for all roadway users.



**Figure 2 – Kalispell Bypass Route Location**

On October 28, 2016, Montana's Governor, members of Montana's Congressional Delegation, Kalspell's Mayor, the Flathead County Commission, and many other elected officials gathered together in a public ceremony to open the Kalspell Bypass to the public. With the south half of the Bypass completed in 2010, this ribbon-cutting ceremony marked the opening of the north half of Montana's newest transportation network. The traveling public can now drive the 7-mile long Bypass from south edge of Kalspell to the north end of the city without driving through the historic downtown district.

Discussion of a Kalspell Bypass began in the late 1940s and culminated with an agreed-upon alignment for this new facility in 1994 through the Somers to Whitefish EIS. The Bypass route gives the traveling public the option of driving through the Kalspell area without the disruption caused by the series of signals on Main Street in downtown Kalspell. Figure 2 shows the location of the Kalspell Bypass in relation to Main Street which is also designated as US 93.



**Figure 3 – Development Area – North End of the Bypass**

Property acquisition and design activities began in the late 1990s through congressional funding secured for the project. In 2007, the first project for the Bypass system was completed and through additional federal and state highway funding, numerous construction projects segments were completed from 2009 through 2016. The project cost to date is approximately \$135 million in state and federal funds which were used to complete the design, acquire property, relocate utilities, and pay for the project's construction costs.

Construction of the Kalispell Bypass represents a cooperative effort between the City of Kalispell, Flathead County, the Federal Highway Administration, and MDT. The parties worked together to preserve the corridor from a land use standpoint which allowed the necessary property acquisition for the project's construction. The land use efforts extended to areas adjacent to the Bypass corridor and involved zoning and land development planning. This coordinated effort helped ensure that the new Bypass would blend into the urban environment from a transportation and land use perspective.

This also allowed the Bypass to act as a vehicle for improving the area's transportation system and assist with economic development. A key area for new development in the form of new business and residential construction was the northwest quadrant of Kalispell. Starting in 2001, this area began to develop and has continued to grow for the last 16 years. Figure 3 shows this area which includes the Section 36 school trust property in the care of the Montana DNRC.

While there are other properties along the Bypass corridor which have experienced development or are planning for development, the Section 36 area west of US 93 and the commercial-zoned area east of US 93 are the primary locations for new development attributed to the construction of the Kalispell Bypass. These are the locations of the majority of the economic impacts for business and residential construction and new firm business operations which can be attributed to the Bypass construction.

The City of Kalispell identified a list of all new businesses and residential properties which can be attributed to the Bypass construction which included the size of the development and the value of the construction. This list was provided to economists at the Montana Department of Labor and Industry (DLI) and they provided job creation totals and quarterly wage totals for the last four quarters on record.

Using the list of new construction properties attributable to the construction of the Bypass, the labor information for new firm operations, and the construction expenditures for the Bypass construction, all data inputs for the impact modeling were complete. These inputs yielded the results generated for this economic impact analysis.



*Figure 4 – Bypass Interchange at US 2*

