

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**
2018 Update

Executive Summary

This report is the 2018 update to The Economic Impact of the Construction of the Kalispell Bypass report completed in 2017. For reference purposes, The Economic Impact of the Construction of the Kalispell Bypass can be viewed with the following link: <http://1qb1ow3qfudf14kwjzalxq61-wpengine.netdna-ssl.com/wp-content/uploads/2017/06/Kalispell-Bypass-Economic-Impact-Analysis.pdf>.

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. This update was generated for the purposes of a BUILD Grant application for the Kalispell Bypass: Foy's Lake Section. The sponsor of the study is the Montana Department of Transportation (MDT).*

The Kalispell Bypass is an approximately \$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. It was planned in conjunction with local city and county land-use planning for the west side Bypass area. The construction of this project has allowed for the expansion of local business opportunities and has had substantial economic impacts for this area of Montana.

Currently, the Bypass has a 4-lane configuration with interchanges on the north half of the Bypass and a 2-lane configuration with roundabouts on the south half of the Bypass. Since the completion of the original economic impact analysis (EIA) last year, the Bypass has seen the expected growth in traffic volumes and this growth is causing congestion of the south half of the Bypass.

The specific point of congestion is at the Foy's Lake roundabout which is the transition point from the 2-lane facility to the 4-lane facility. The current congestion and traffic growth have led MDT to begin project development for the expansion of the south half of the Bypass to the final 4-lane configuration with grade separated interchanges to replace the roundabout intersections.

The original study looked at the project's economic impacts span a 16-year period from 2001 to 2016. This update adds the additional impacts identified for 2017 and 2018 and a projected project cost to replace the roundabout in the Foy's Lake Section with 1.9 miles of 4-lane highway and a grade-separated interchange. 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.

For this update, \$14 million for a construction contract was added to the previous expenditures of \$135 million and the study duration was increased from 16 years to 18 years. The project continues to provide new access for business and residential construction and operations that largely would not have existed in the absence of 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*

2018 Economic Impacts of the Kalispell Bypass								
Sector(s)	Economic Impacts				Tax Impacts			
	Sales (Output)	Gross Regional Product	Total Compensation	Jobs	Property	Excise	Income	Total
Road Construction	\$ 20,104,239	\$ 10,238,851	\$ 7,905,758	186	\$ 232,056	\$ 237,228	\$ 252,219	\$ 721,503
New Business/Residential Construction	\$ 55,040,689	\$ 28,031,571	\$ 21,644,111	509	\$ 635,316	\$ 649,475	\$ 690,516	\$ 1,975,307
Business Firm Operations	\$ 12,334,376	\$ 7,800,793	\$ 4,496,576	150	\$ 527,622	\$ 539,381	\$ 151,690	\$ 1,218,693
Total	\$ 87,479,304	\$ 46,071,215	\$ 34,046,445	845	\$1,394,994	\$ 1,426,084	\$ 1,094,425	\$ 3,915,503

Figure 1 – Additional Net New Economic Impacts 2017-2018

Specifically, we included only the construction impacts that occurred in Flathead County and excluded the out-of-region supply chain expenditures. We also estimated 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 and non-substitutable. The new firm operations' impacts are *cumulative* because the economic activity generated is ongoing yearly whereas the highway and firm construction impacts are “one time” economic events.

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 new 2017-2018 net results are reported in Figure 1 and the yearly results are presented in Figure 2. The average annual impacts are presented at the bottom of Figure 2.

The 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. The tax impacts include property, excise, and income taxes. All these metrics include the multiplier effects.

Results: Figure 1 reports the 2017-2018 *net* additional impacts for the new construction and firm expansion from the Kalispell. The road construction impacts as measured in sales (output) was \$20.1 million including the multiplier effects. New business and residential construction added \$55.0 million to the economy. New firm operations add \$12.3 million to the economy for a grand total of \$87.5 million in output. The totals for the other metrics include \$46.1 million in gross regional product (a subset of sales), total compensation of \$34.1 million (a subset of gross regional product) and 845 jobs.¹ Tax impacts include \$1.4 million in property taxes, \$1.4 million in excise taxes, \$1.1 million income taxes, for a total of \$3.9 million.

¹ The \$87.5 million in sales (output) total for 2017-2018 (in Figure 1) is less than the 2017-2018 total \$200.3 million sales (output) impacts in Figure 2. The difference of approximately \$112.8 million represents the cumulative “on-going” economic impacts from new firm operations that were included in Figure 2 but not included in Figure 1. The same is true for the rest of the reported economic impact metrics.

The average annual sales or gross economic impact of the construction of the Kalispell Bypass is \$83 million annually over the life of the project (including the multiplier effects). Given current and projected state and federal investment of about \$148 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 nearly \$49 million per year. All economic impacts are reporting in constant 2016 dollars.

Total Impacts of Bypass Grand Total				
Includes the Direct, Indirect, and Induced Impacts				
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
2018*	\$ 200,344,458	\$ 116,007,218	\$ 72,795,927	2,009
Avg.	\$ 83,002,382	\$ 48,710,910	\$ 29,315,593	\$ 834

* Represents 2017 to current date.

Figure 2 – Total Economic Impacts

The project also creates an average of 834 jobs annually and \$29 million in total annual compensation. This update shows that the economic growth surrounding the Bypass corridor has continued and is leading to development opportunities due to the construction of the Bypass.

The economic impacts have increased over the life of the project from 142 jobs in 2001 to 2,009 jobs in 2018. The main drivers continue to be the construction of new firms and businesses, business cumulative operation impacts, and the Bypass construction contracts. With the eventual completion of the Bypass, 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 long into the future.

Tax Impacts: The average annual tax impacts to state and local coffers are \$2.2 million in property taxes, \$2.2 million in excise taxes, and \$1.0 million in income taxes for a total of nearly \$5.4 million in tax revenue, including the multiplier effects.

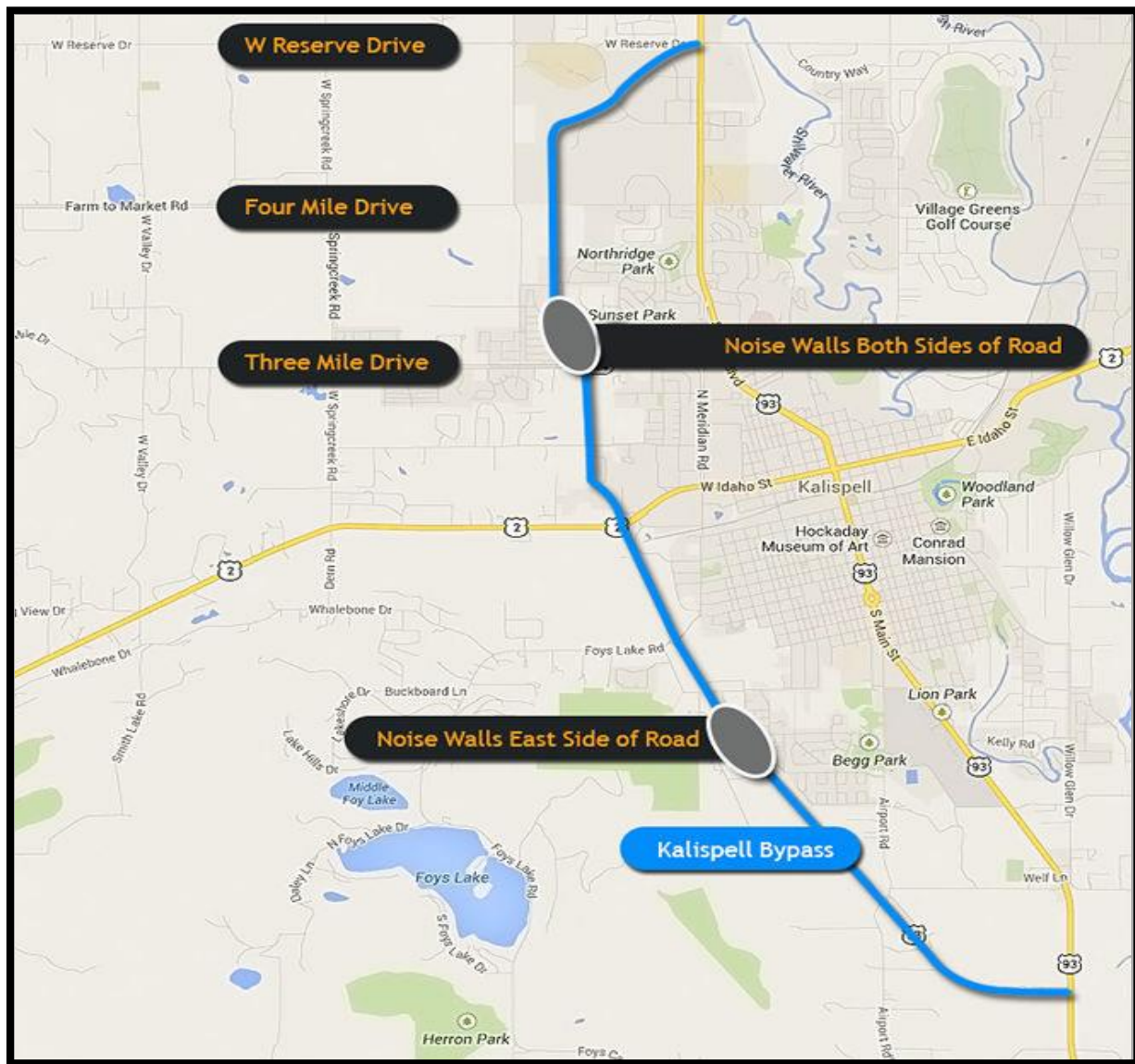


Figure 3 – Kalispell Bypass Route Location

For this update, the City of Kalispell identified an updated list of all new businesses and residential properties which can be attributed to the Bypass construction. The list also included the size of the developments and the value of the construction. This is a similar list to the one produced for the original EIA study. For the commercial businesses, most of the new businesses do not have quarterly wage earnings for the last four quarters on record. For the purposes of this study, the City of Kalispell assisted the authors in estimating approximate values for the number of employees and quarterly wage earnings.

Listed below are the new data inputs used for this update. These new values have been added to the EIA values used for the original report. Also, Figure 3 shows the current traffic condition which indicates that the Foy's Lake Roundabout traffic volume is exceeding its capacity.

- 41 new commercial and residential properties.
- 419,623 square feet of building construction.
- \$53,070,529 for commercial and residential construction.
- 340 new jobs.
- \$2,405,945 in average total quarterly wages for the last four quarters.
- \$14 million from the proposed Bypass - Foy's Lake Section highway construction contract.

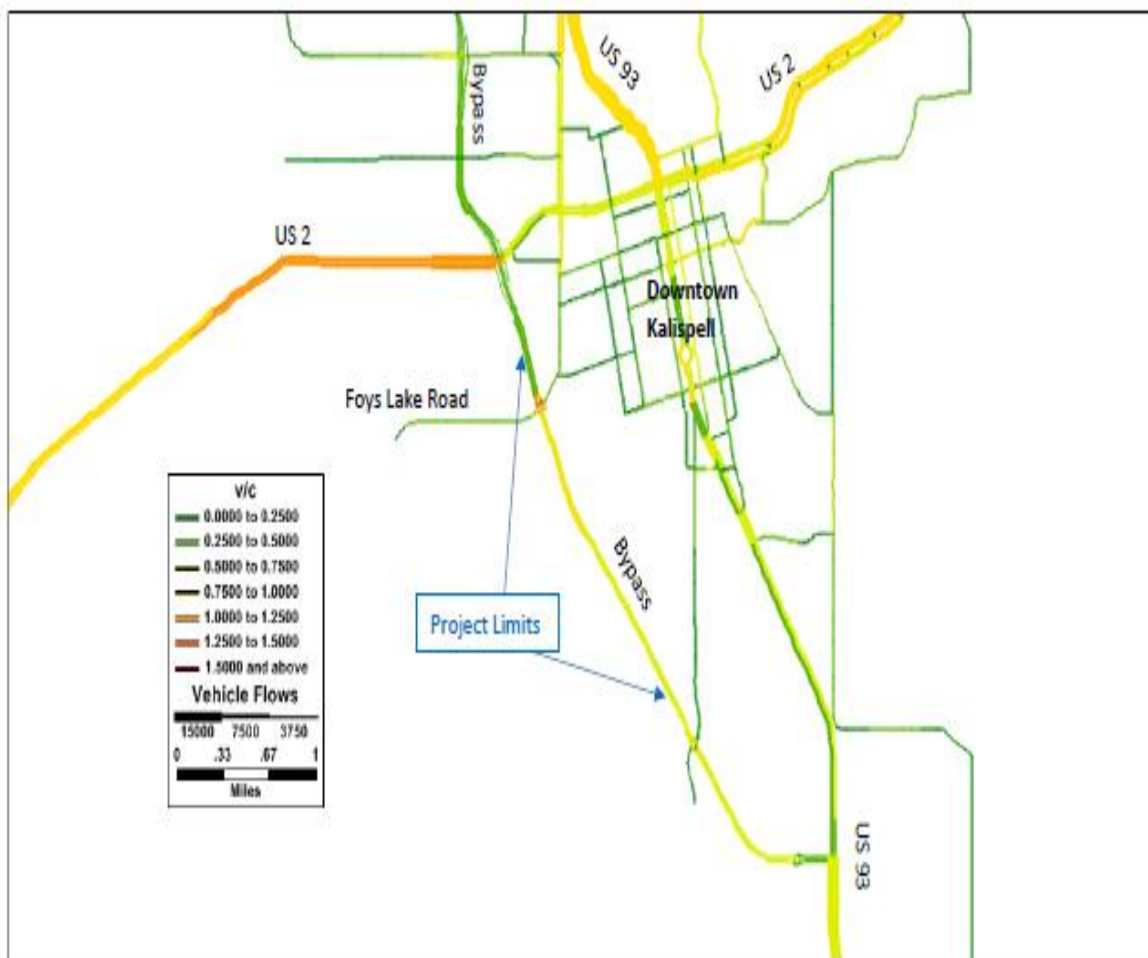


Figure 4 – Foy's Lake Section – Current Traffic Conditions

