

STUDY DETAILS ECONOMIC IMPACT OF BYPASS

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View of the U.S. 93 bypass on Oct. 19, taken by Danielle de Leon of Birds Eye of Big Sky. The image was made using their DJI Inspire PRO X5 quadcopter. (Photo courtesy of Birds Eye of Big Sky)

As Ed Toavs recently wrapped up a yearlong analysis of the U.S. 93 bypass around Kalispell for his master's degree in business administration, some impressive numbers emerged.

Over the life of the project — from 2001 through 2016 — the total economic impact of the 7-mile bypass was \$1.21 billion.

"If you look at it as an output from investment, and \$135 million was invested [to build the bypass], that's almost a 9 to 1 ratio," Toavs noted.

The current Missoula District administrator for the Montana Department of Transportation, Toavs worked in the department's Kalispell office as a civil engineer in construction from 1994 through 2002, and later returned to Kalispell as the Missoula District construction engineer from 2009 through 2011. During that time he was involved with developing the south half of the Kalispell bypass before relocating to Missoula in 2012 when he became district administrator.

When it came time to choose the final project for his Executive Master of Business Administration degree through the University of Idaho, he had a half-dozen ideas, but the bypass trumped them all.

“The bypass is probably a once-in-a-career project,” Toavs said.

He joined forces with Steve Peterson, a clinical assistant professor of economics at the University of Idaho, to put the comprehensive report together. Toavs handled the data gathering, construction cost inputs for the modeling and the report preparation, while Peterson conducted the economic modeling that included project construction impacts, attributable land development impacts and job creation spurred by the bypass construction.

“It was neat to be involved in a success like this,” Toavs said about the bypass that opened late last year. “This is a result of a collaborative planning effort years and years in the making.”

The city of Kalispell, Flathead County, the Federal Highway Administration and the state Department of Transportation all had a hand making the bypass a reality, he said.

A 1989 Columbia Falls High School graduate, Toavs has been employed with the state Department of Transportation for 23 years. During his early years on the job in Kalispell, when talk of a bypass came up, he remembers thinking: “How is that ever going to happen? Is this really possible?”

It seemed like a pipe dream to local residents when discussion of a bypass began in the late 1940s. Talk persisted through the decades, through growth spurts and economic downturns. The idea of a bypass eventually was solidified with an agreed-upon alignment for the bypass in 1994 through the Somers to Whitefish environmental impact statement for U.S. 93.

The state started securing property in the late 1990s to preserve the bypass corridor, and in the early 2000s passively acquired more property. Potential property boundaries were recorded at the county courthouse, Toavs’ report notes.

By 2007 the first segment of the project — Reserve Loop — was built, providing access to the new Glacier High School. The south half of the bypass was completed in 2009, but the long-term economic and transportation benefits wouldn’t be realized until the bypass was fully connected, Toavs said.

The north half opened Oct. 28, 2016.

Three separate analyses were used to determine the overall impact. First, the economic impact assessment on the annual construction expenditures of the bypass were considered. The second assessment considered private business and residential construction related to the bypass; and third, operating expenditures of the new business creation attributed to the bypass were considered.

IMPLAN, the most widely used input-output software and data used by regional economists for impact modeling, was used for the study. Toavs and Peterson decided on fairly conservative multipliers to determine economic impact.

"When we came up with the model for multipliers, we talked it over and I said 'I want it to be very defensible,'" Toavs said.

While modeling in some robust economies may use a multiplier of 4 to 1, Toavs and Peterson settled on a multiplier of 1.64 for average construction sales. That means for every \$1 of base construction expenditures, \$1.64 of sales (output) was created in Flathead County.

The average business and firm construction multiplier was 1.63; average retail trade multiplier was 1.55; average services multiplier was 1.57 and average eating and drinking multiplier was 1.57.

Economic impacts were divided into two levels: direct impacts such as jobs, payroll and sales; and indirect impact—the so-called "ripple" effect—such as the effect of employee and related consumer spending.

During the 16-year study period, about 65 percent of the new business and residential construction was new money to Kalispell that was attributable to the bypass project. Continuing with a conservative approach, the study doesn't include Kalispell Regional Healthcare expansion, Glacier High School construction, Flathead Valley Community College expansion or state Department of Natural Resources and Conservation revenue from Section 36 development, Toavs pointed out. While FVCC was not included in the list of new businesses provided by the city of Kalispell, the state did purchase property from FVCC so there was a minor economic impact included in the construction expenditures.

The revitalization of Kalispell's historic downtown area was not a measurable economic factor in the study, Toavs said, but it's nevertheless an important secondary effect of the bypass. By removing the traffic congestion through downtown, a more pedestrian-friendly atmosphere can be created to encourage more destination trips to the downtown area.

Toavs said there's been a lot of interest in the study among local city leaders. He's getting it in the hands of the Kalispell Chamber of Commerce and city and county officials, and he's looking for other ways to share the information.

The economic impact of the Kalispell bypass is "an extraordinary example" of how transportation investment dollars can affect the local economy, he said. When the south half of the project began, Toavs remembers thinking "I'm actually going to live part of this." That sentiment aligned with the mindset of perhaps thousands of Flathead Valley residents who never thought they'd see the bypass completed in their lifetime, let alone benefit from a project that spurred over a billion dollars of economic impact.

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