

# Economic Impacts of Land Resources in the Methow Valley

## Executive Summary

### Prepared for the Methow Conservancy

This study of the economic impacts of Washington's Methow Valley natural land resources and the MVSTA trail system was prepared for the Methow Valley Sport Trails Association (MVSTA) and their project partner the Methow Conservancy. The intent of this 2005 study is to update an earlier study conducted in 1998 and extends the analysis to comprehensively assess the range of economic impacts of the trail network and the system of protected lands on local economies.

The report summarizes the findings of the multi-method economic analysis, which included the use of surveys conducted in March 2005 with three groups: residents, trail users (local and non-local), and area businesses. In sum, 681 respondents participated in the resident/trail user survey, and another 137 took part in the business survey. Other methods, such as fiscal impact analysis, contingent valuation, input-output and hedonic price modeling, regression analysis, and qualitative content analysis were also used to define the range of direct, indirect, and cumulative economic impacts related to the unique attributes of protected land within the regional landscape, and the network of MVSTA trail lands and activities they offer. Key findings from the study follow.

## The Big Picture

### *Stated Willingness-to-Pay*

Determining "willingness-to-pay" (WTP) is a method for placing monetary values on goods and services provided by nature that do not have market prices. There are various methods used to estimate WTP values. One method includes developing a type of regression model to evaluate consumer preferences based on the difference in prices paid for homes and raw land given on site and/or proximity of various environmental amenities (e.g., open space, preserved lands, parks, trails, etc.). Briefly, we found<sup>1</sup>:

- ✓ Generally, real estate prices for the Methow Valley can be explained by the type and level of environmental amenities.
- ✓ People buying homes and real estate in the Methow Valley are on average **willing to pay 11.52% more per acre** for properties near particular environmental/amenity characteristics (0 to ½ mile) than for properties without these characteristics (e.g., scenic vistas, open space, agricultural lands, parks, forestlands, trails, etc.).
- ✓ Sales between 1999 and 2003 indicate buyer WTP estimates ranging from about 6% more per acre for properties neighboring agricultural lands to about 21.5% for lands with scenic views. Other amenities with positive impacts on real estate values in the Methow Valley include lakes, rivers, streams, open space, trails and other recreation attributes, National Park and Forest Service lands, wildlife habitat, and other resource-based amenities. As such, these lands generate higher revenues in terms of real estate taxes.

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<sup>1</sup> This is called hedonic price modeling (HPM); such a model was developed to assist in understanding the economic impacts of various resource amenities on the marginal implicit prices of real estate in the Methow Valley.

## **Views & Values— protection of Methow Valley’s natural beauty and open spaces**

- ✓ Respondents feel strongly about the protection of natural resources and open space attributes of the Methow Valley; a combined average of 92.7% of all respondents stated that they felt it was either **very important** or **important** to preserve the area’s natural beauty and open space.
- ✓ More than 99% of respondents indicated that some measures should be taken to preserve the unique natural and scenic characteristics of the Methow Valley. Respondents’ top four preferences for such actions, in order of magnitude, were: 1) **voluntary land protection** (82.2%); 2) **acquisition of conservation easements** (80.8%); 3) **environmental education** (80%), and 4) **purchase of land by local non-profit organization** (77.2%). Respondents were least in favor of: 1) doing nothing (0.3%); payments to private landowners for protecting land (55.1%) and government purchase of land (56.5%).
- ✓ The three most important elements of natural beauty and open space in the Methow Valley according to survey respondents are 1) **clean air and water**, 2) **scenic views**, and 3) **wildlife habitat**.
- ✓ An average of **84.2% of all respondents view the natural beauty and open space of the Methow Valley as threatened**, among the most frequently identified sources are (in frequency order, summarized from the written answers of respondents):

### **Methow Valley Residents:**

- Excessive push on selling real estate for home sites
- Development and overbuilding of homes (large and small)
- Poor planning/lack of planning
- Subdivision and loss of farm/ranchland
- Population growth
- Building on ridge-tops and ridgelines
- Building in riparian areas
- Too many large second/part-time vacation/trophy homes
- Lighting

### **Trail Users:**

- Influx of people from the city and desire to share in the valley’s beauty
- Development, overbuilding, residential sprawl
- Building on ridge-tops and ridgelines
- Building in riparian areas
- Too many large second/part-time vacation/trophy homes
- Subdivision and loss of farm/ranchland
- Poor planning/unplanned development

### **Priorities for land protection in the Methow Valley**

- ✓ Respondents were asked to rank geographic areas for continued protection efforts in the Methow Valley. 67.5% of all respondents identified the Mazama area as the area of first priority. The Winthrop area was rated as the area of second priority, and the Twisp area was rated as the area of third greatest priority.
- ✓ When asked to rank various land types or classifications in the Methow Valley to receive priority for continued protection, respondents identified the following (in order by percentage of respondents):
  - 1) Rivers/lakes/ponds (39.3%),

- 2) Forest lands (29.3%),
- 3) Ridgelines (16.4%),
- 4) Farm/ranch/orchard lands (11.7%)
- 5) Shrub-steppe (4.2%), and
- 6) Other (1.9%)

### ***Views & Values—quality of life in the Methow Valley***

- ✓ Respondents indicate their top three reasons or characteristics influencing decisions to move to or visit the Methow Valley are, in order of magnitude, 1) **proximity to recreational opportunities** (40.6%), 2) **natural beauty** (29.3%), and 3) **rural character** (14.7%).
- ✓ Nearly **96% of all survey respondents** indicated that the provision of and access to recreational facilities in the Methow Valley is very important (86%) or important (9.7%).
- ✓ Qualitative analysis conducted on 27 interviews with local business owners and managers representing a range of sectors, representatives from government agencies, and other key informants from the communities represented revealed that interviewees were virtually unanimous in saying that **the Valley's greatest strengths are its quality of life and sense of community**. In addition, interviewees indicated that the natural beauty and, access to diverse recreation opportunities, clean air and water, and the aesthetic environment were key agents influencing people's decision to move to or at least visit the Valley, and are a core reason for the upsurge in development over recent years. Interviewees also felt that most non-residents and visitors also see these attributes as the Methow's biggest strengths.
- ✓ Nearly 88% of all business survey respondents indicated that **trail visitors and resource-based tourism have increased** significantly (50.4%) or somewhat (37.2%) over the course of time they have been in business in the Methow Valley.
- ✓ Nearly 75% of all business survey respondents indicated their peak business season(s) were either **dependent on tourists** (41%) or **somewhat dependent on tourists** (34%).

### ***Direct & Indirect Economic Impacts—Methow Valley trails and protected lands***

- ✓ Over 75% of all 2005 business survey respondents state that the area's natural beauty, wildlife, and open space are either **very important** or **important** to the success of their business.
- ✓ Nearly **\$4.5 million dollars in direct expenditures are made annually** (in 2005 dollars) to the Methow Valley economy by outdoor recreationists/trail users and nature enthusiasts.
- ✓ Over **\$4.1 million dollars of induced or secondary expenditures** within the Valley's economy annually can be attributed to MVSTA trails network, related natural resource-based recreation and various landscape attributes unique to the Methow Valley.
- ✓ **MVSTA trails network play strongly into respondent's real estate purchasing decisions**. Of the 337 respondents addressing this question, 81.3% on average, had considered buying real estate in the Methow Valley. Of this total, an astounding 92.6% indicated that the trails network was either **most important** (65%) or **important** (27.6%) in their purchasing deliberations.

- ✓ Combined active and passive use benefits related to trails, natural and open space lands in the Methow Valley is estimated at **\$18.2 million** per year for the region.<sup>2</sup>

### **Tax Impacts:**

- ✓ In the period between 2003 and 2005, visitors to the Methow Valley have spent an estimated average of \$30.4 million annually in direct travel spending in the region. Of this total approximately \$11.32 million annually can be attributed to trail users and other visitors attracted to the area's natural resources and outdoor recreation opportunities.
- ✓ Tax receipt distributions attributable to all trail users and other visitors attracted to the Methow Valley's open space and outdoor recreation opportunities over the 2003-2005 period represent about 29% of Okanogan county's regular state-shared lodging tax, and about 45% of the county's additional special lodging taxes collected, on average.

### **The Analysis**

As noted earlier in the Executive Summary, the findings summarized above are based on a combination of qualitative, statistical, and economic analyses. Each section of the study focuses on a different set of economic rationales, broadly defined as: resident and non-local trail user (tourist-visitor) views, values and expenditures, area business and employment impacts, and related local and regional economic impacts. Each of these broad categories contributes a diverse and interrelated set of variables that include expenditures both inside and outside the region, as well as major environmental and social impacts.

Resource Dimensions, was commissioned in January 2005 to evaluate the above economic impacts, which are grounded in the multi-faceted question: *"What are the costs, benefits and contributions of MVSTA trail lands and other protected land resources to the Methow Valley region?"* The complexity of the regional, social, and institutional setting required an approach that could address both this question and those embedded in related issues as:

- Assessment of benefits generated beyond direct expenditures and revenues;
- Assessment of costs accrued beyond direct management costs;
- Assessment of local and regional impacts which takes into account sector specific information; and
- Potential to realize present income, while enhancing and protecting the resource base for perpetual benefits generation.

The primary goal is to evaluate the importance of the trail network and particular aspects of the Methow Valley landscape to more clearly understand the nature and extent of economic contributions they bring to area communities and the larger region. These contributions, measured as benefits and costs, go well beyond changes in individual income. The most general single conclusion and recommendation drawn from the 2005 study is that shifts occurring over the past several decades within the region dictates that continued economic well-being of the area at minimum should include the protection of the Valley's natural assets.

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<sup>2</sup> Non-market benefits have value as indicated by measures of consumer surplus which can be determined using hedonic pricing and travel-cost models, contingent valuation, and other methods. Here, however, their accounting is applied only in terms of estimates of active and passive recreation use values. Conducting a full non-market valuation study of active and passive use benefits requires significant time and resources, and is outside the scope of this project.