

The Economic and Fiscal Impacts of the Renovation, Expansion, and Annual Operation of the Balsams Grand Resort and Wilderness Ski Area



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Executive Summary

This analysis uses standard methods and models employed in economic analysis to document the economic impacts resulting from the renovation and expansion of the Balsams Grand Resort Hotel and Balsams Wilderness Ski Area in Dixville Notch, Coos County, New Hampshire. The report highlights the significant regional employment and state government revenue losses that occurred after the closure of the Balsams and documents the change in employment, income, and gross regional product in Coos County that will result from the renovation, expansion, and annual operation of the Balsams Resort and Wilderness Ski Area. The report also documents the employment and income impacts from the Balsams project that will occur outside of Coos County, but which will occur in other counties in the State of New Hampshire. Annual impacts on major sources of state revenue from the project are also forecast. Finally, the report discusses the potential for broader impacts that the renovation, expansion and operation of the Balsams Resort could have on the population and demographics of Coos County.

Current plans call for a first phase of redevelopment that includes the renovation of the main hotel buildings, the Dix and Hampshire Houses, as well as a new hotel wing, and renovations to the golf course clubhouse as well as a large expansion of the ski area with the addition of multiple lifts including a year round gondola to the summit and a lift connection to the hotel complex. The initial phase of renovation and expansion of the resort and ski area calls for a capital investment of over \$130 million in expenditures beginning in 2015 and into 2016 making it the largest construction and development project in the county in decades. An additional \$180 million in construction and development expenditures are planned between 2016 and 2024.

Results of our analysis indicate that the renovation and expansion of the Balsams Resort and Wilderness Ski Area will dramatically alter the employment outlook for Coos County over the next decade, reversing a more than 10 year trend of declining wage and salary employment in the County. Using conservative assumptions about the volume of total project expenditures that will occur within Coos County, our analysis, indicates that renovation, expansion, and annual operation of the Balsams Resort and Wilderness Ski Area will increase employment in Coos county directly and via indirect and induced (multiplier) effects by 583, including 300 direct construction jobs, as renovation and expansion begin in 2015, and rising thereafter to reach 1,700 by 2024, representing an increase in total employment in Coos County of 4.1 percent in 2015 to 11.9 percent by 2024. Overall employment in the entire North County region (Coos, Grafton, and Carroll Counties) and State of New Hampshire will increase by a larger amount, as some of the economic activity resulting for the renovation and expansion of the Balsams “leaks” to other counties in the state. The volume of economic activity resulting for the project that occurs outside of Coos County but within other counties in state ranges from a low of 90 jobs to a high of 176 jobs.

Revenues to the state of New Hampshire from meals and rooms and real estate transfer taxes resulting from the project are forecast to rise from \$1.5 million in 2016 to \$4.6 million in 2024 and total revenues to state government resulting from the project range from \$3.1 million in 2016 to \$9.9 million in 2024.

Other Key Findings of Project Impacts Include

- ◆ Total economic activity as measured by output or sales will increase by almost \$1 billion in Coos County between 2015 and 2024 (from \$65 million to \$125 million annually) as a result of the more than \$300 million direct investment at the resort, and including the indirect and induced impacts of the renovation, expansion, and operation of the Balsams Resort and Wilderness Ski Area.
- ◆ Between 2015 and 2024, direct, indirect, and induced jobs resulting from the Balsams project will have created enough jobs to replace almost all of the jobs lost in Coos County over the most recent 10 year period (assuming no further net job loss in the County).
- ◆ Total labor income resulting from renovation, expansion, and operation of the Resort will increase by \$383.1 million in New Hampshire between 2015 and 2024, including \$293.8 million in Coos County (ranging from \$19 million to \$47 million annually).
- ◆ Between 2010 and 2013, Coos County experienced net out-migration of over 600 residents, or roughly two percent of the County's population. Construction of new residential housing units for sale at the Balsams Resort could increase Coos County population by between 0.8 percent and 2.4 percent over population levels in the County without the renovation and expansion project. In addition, new housing units at the resort provide an opportunity to bring high skill, higher-income residents to the County, increasing the attractiveness of the potential workforce in the region and longer-term prospects for revitalization of the region.
- ◆ Meals and rooms tax collections in Coos County declined by about 17 percent (almost \$1 million) over the 12 months following the closure of the Balsams Resort and total state revenue losses from all visitor, tourism and recreation related revenue are estimated at about \$1.8 million over 12 months as a result of the closure of the Balsams Resort.

I. Introduction

Dixville Capital, LLC is proposing to renovate, expand, and operate the Balsams Resort and Wilderness Ski Area, an iconic grand resort hotel located in Dixville, Coos County, New Hampshire that was closed in December of 2011. The proposed project will be the largest private sector development project in Coos County in memory, with \$130 in renovation and expansion expenditures occurring during 2015 and 2016 and a total investment of over \$300 million between 2015 and 2024. The project offers the potential to provide a dramatic economic stimulus to the Coos County economy that has underperformed other counties in the state for decades.

This report was prepared with full independence from Dixville Capital, LLC. The report takes no position on matters of policy and holds no conflicts of interest that prevent it from providing objective analysis to Dixville Capital, or the citizens of Coos County, and the State of New Hampshire. The purpose of the report is to provide an independent analysis of data that will inform elected and appointed officials and members of the public who are interested in the economic and fiscal impacts of the project. All analyses in this study employ standard economic methods and models widely used by economists and extensively reviewed in academic journals. All data used in the construction of models and in calculating impacts (with the exception of facility construction and operating cost data) is publicly available from federal and state government agencies. Dixville Capital, LLC supplied data on construction and maintenance expenditures related to renovation and expansion of the resort, as well as data on the expenditures and revenues related to annual operation of the facility. Dixville Capital, LLC was provided an opportunity to suggest corrections to the description of the project and its operations or other aspects of the project and to correct material errors in the description or details of project expenditures or other errors of fact; however, the company had no role in calculating economic impacts outlined in the report and was not given an opportunity to edit any of the results of the impact analyses.

Results of this analysis indicate that the renovation, expansion and operation of the Balsams Resort and Wilderness Ski Area will have dramatic economic benefits in Coos County that reverse a decade or more of stagnant or declining employment in the County. In addition, New Hampshire counties outside of Coos will see significant job gains from the project and the State of New Hampshire will recoup revenue lost when the Balsams closed as well as realize millions of dollar in additional revenue from the project.

II. The Coos County Regional Economy

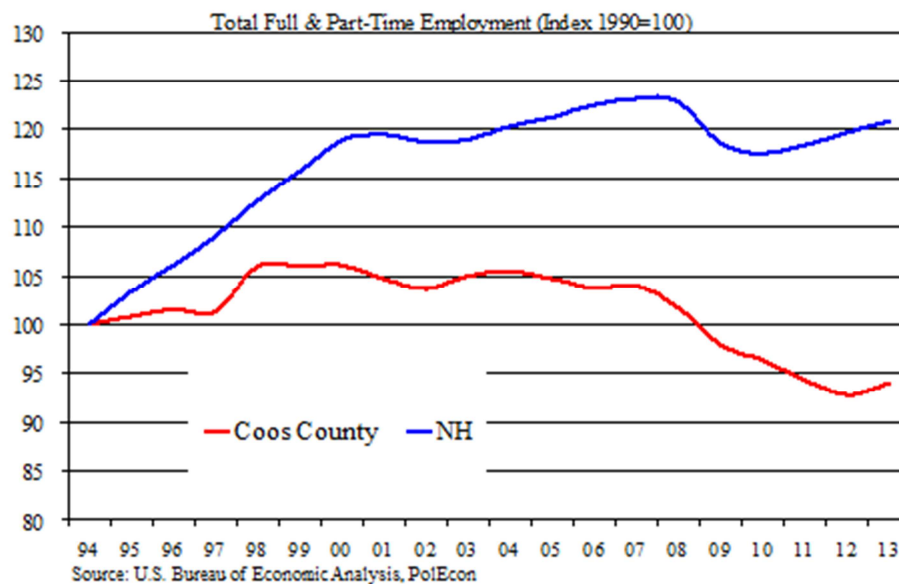
The economic struggles of Coos County, compared to New Hampshire overall are well documented. Several key trends are highlighted here to help provide context for the impact that the renovation and expansion of

the Balsams will have on the recent and projected performance (in the absence of the project) of the regional economy.

Declining Employment

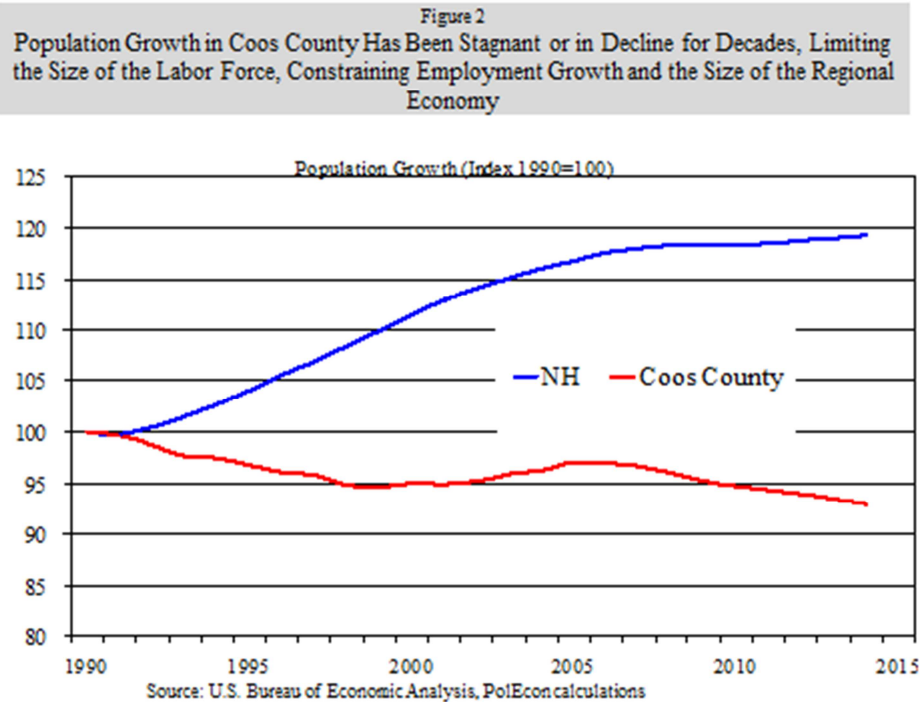
The Coos County economy has historically depended on two principal industries, manufacturing and leisure and hospitality. There has been a long term downward trend in manufacturing in the North Country, specifically the pulp and paper manufacturing industries as reflected in the closing of paper mills in Groveton and Berlin, NH, while the closing of the Balsams Resort at the end of 2011 provided a major blow to employment in the leisure and hospitality industry employment in the County. The reduction in tourist and recreational visits to the county, as well as the loss of employment and income from the closure of the Balsams Resort had negative economic effects that have rippled throughout the regional economy. Figure 1 shows the longer term stagnation and decline in total employment in Coos County since 1994 and compared to employment growth overall in New Hampshire.

Figure 1
Since the Recession, Differences in the Employment Growth Rates Between Coos County and New Hampshire Overall Have Accelerated



Population Decline and Out-Migration Threaten the Region

A declining population constrains growth in the Coos County labor force and limits the potential for employment and regional economic growth. As Figure 2 shows, Coos County's population has been on a long downward trend, interrupted with short periods of population growth. Official population projections for Coos County released by the New Hampshire Office of Energy suggest the trend of continued population decline in the County will continue over the next decade.



Population growth can occur in three ways: as a result of natural increase (more people born in than die in a region), net international migration (more people moving into a region from another country than move out of the region to another country), and net domestic migration (more people moving into a region from another location in the U.S. than leaving for another U.S. location). Net out-migration is the best indicator of how individuals view the economic prospects for a region. According to the U.S. Census Bureau, Coos County experienced a loss of over 600 residents to net migration, just between 2010 and 2013, or roughly two percent of the County's population.

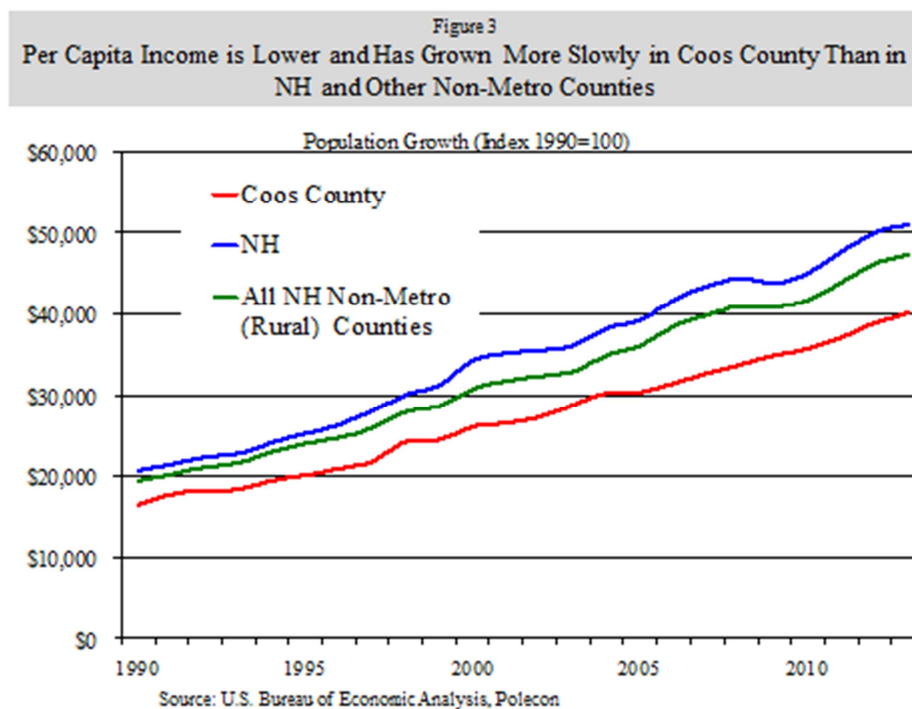
The demographics of the region show a significantly lower percentage of workers age 25 and older with a postsecondary education in Coos County than in other New Hampshire counties. In general, industries in the U.S. that are the fastest growing tend to employ higher percentages of individuals with some postsecondary training. Regardless of the current strength of the regional economy, findings

presented later in this report show that renovation and expansion of the Balsams will dramatically alter growth trends in the regional economy. In addition, by bringing large numbers of visitors to the region, and the prospects for the region’s population trends benefit from the exposure of middle and upper income visitors to the region. Expansion plans for the Balsams include creating new, high-amenity residential housing opportunities that will increase opportunities for Coos County to capture year-round residents.

Population growth is both a result of, and a driver for, sustained economic growth. Expanding employment opportunities, as well as desirable housing and attractive amenities are all vital to attracting and retaining individuals and key demographic groups (younger and skilled workers, higher income individuals etc.) that increase the vitality and dynamism of the region over the longer term.

Lower Per Capita Income and Slower Income Growth

The per capita income of Coos County residents is lower and has grown more slowly than the per capita income of New Hampshire residents overall, including residents of other non-metropolitan (rural) counties in the state (Figure 3).



Income per capita in Coos County in 2013 was \$11,000 lower than per capita income overall in the State of New Hampshire (\$40,173 versus \$51,013). Per capita income was \$10,000 lower than per capita income in the neighboring Northern New Hampshire county of Grafton, and \$9,000 lower than per capita

income in neighboring Carroll County.

III. Impacts on Economic Activity in Coos County

Analytical Approach

Total impacts from the renovation and expansion of the Balsams Resort will result from three broad project phases or categories of project activities: 1) the construction activities that will occur initially to renovate and expand the resort and ski area as well as other recreational activities, 2) the annual ongoing operations and maintenance of the resort, and 3.) the construction of new, “for sale,” residential housing units at the resort. This analysis calculates the direct spending and “multiplier” effects associated with each of these three phases or aspects of the Balsams Resort project. The renovation and expansion (Phase I) construction phase of the Balsams Resort and Wilderness Ski Area project will occur in a period that spans two calendar years (2015 and 2016). The economic and fiscal impacts from the annual operation and maintenance activities of the resort, ski area, and the new and expanded recreational activities are calculated for Coos County for each year from 2016 to 2024. The project will also have economic impacts in the county and state from the construction of residential housing units on an ongoing basis. The number of units and their construction value vary by year and the impacts from these activities are estimated in this report for each year between 2016 and 2024.

Three types of effects will result from the renovation and expansion of the Balsams:

- 1.) Effects resulting from hiring and direct spending for renovation and expansion and annual operation and maintenance activities at the Balsams itself (direct impacts);
- 2.) Effects from the purchasing of supplies and materials (business-to-business spending) needed to renovate, construct and operate the Balsams Resort, Wilderness Ski Area, and other recreational activities, as well as the residential housing units that will be for sale (indirect impacts);
- 3.) Effects from spending by individuals resulting from the wages and salaries earned by workers constructing or operating the resort and associated facilities and by those working at suppliers to the resort or its contractors (induced impacts).

Total economic impacts are the combined direct, indirect, and induced effects and typically stated in terms dollars of output, dollars of labor income, and employment.

For this analysis direct spending effects were identified from the Balsams Resort capital and annual operating budgets for the proposed project. The indirect and induced effects are estimated using IMPLAN input-output economic models for Coos County and the State of New Hampshire. These multipliers trace the indirect and induced spending effects and are generated from industry relationships in the Coos County economy and the State of New Hampshire. The models are calibrated to depict region-specific, industry-by-industry purchasing patterns (for the indirect effects) and consumer purchasing

patterns (for the induced effects). The indirect and induced multipliers for each industry estimate how much additional economic activity is created as a result of direct project spending in the regional economy.

Resort Renovation and Expansion Phase I (Construction) Impacts

Table 1 presents the impacts from the initial renovation and expansion of the Balsams Resort project (Phase I) on both an annual and total impact basis. The direct spending in Coos County of \$107.6 million required for Phase I renovations and expansion will result in “indirect” purchases of \$32.8 million among businesses and other organizations within the County as a result of their revenue obtained from the project’s Phase I direct expenditures. For example, a direct expenditure for Balsams renovation and construction that goes to a construction firm that specializes in site preparation may result in indirect expenditures in the region to a business that rents heavy equipment. Induced spending effects will total \$41.6 million in Coos County from Phase I project expenditures and include the purchases made by individuals and households within the region as a result of the income they receive from the businesses and organizations in response to the direct and indirect spending in the region.

Our analysis indicates that the \$107.6 million in direct renovation and expansion project expenditures that occur in the region during the construction and renovation activities in Phase I of the project will result in total economic activity (output or sales) of \$214.8 million in the State of New Hampshire, of which \$182 million will occur within Coos County, while another \$32.8 million will “leak” outside of Coos county and occur in other areas of New Hampshire beyond Coos County.¹

Table 1		
Impact of Balsams Resort Renovation and Expansion Phase I Construction Activities		
(Millions of 2015 Dollars)		
Coos County	Each Calendar Yr. (2015 & 2016)	Total Output (Sales)
Direct Effects	\$53.8	\$107.6
Indirect Effects	\$16.4	\$32.8
Induced Effects	\$20.8	\$41.6
Total	\$91.0	\$182.0
Other NH Counties	\$16.4	\$32.8
Total Impacts in NH	\$107.4	\$214.8

¹ We report impacts on both a calendar year and total basis because the construction and renovation phase is expected to occur in both 2015 and 2016. Our calendar year estimates assume that construction expenditures are divided equally in each calendar year. In reality, expenditures will not be evenly divided, but at the time this analysis was completed a schedule of construction expenditures (construction “draw”) was not available.

Annual Impacts From Resort Operations

Annual operations and maintenance activity at the Balsams Resort will increase as the resort expands. Combined, hotel, restaurant, ski area, golf and other recreational activities will result in an estimated \$42 million in economic activity (the dollar value of goods and services sold) in Coos County as it reopens in 2016, rising to \$116 million (in 2015 dollars) by 2024. By 2024, the ongoing annual operations of the Balsams Resort and Wilderness Ski Area will have produced an increase in economic activity in Coos County of \$695 million. Economic activity from the annual operations of the Balsams that occurs in other regions of New Hampshire will range from \$8 million in 2016 to \$23 million by 2024, over the 2016 to 2024 time period of \$136 million. In total, annual resort operations and maintenance activities will increase economic activity in the State of New Hampshire by \$831.5 million between 2016 and 2024 (Table 2).

Table 2 Impacts of Annual Operation and Maintenance Activities of the Balsams Resort (Millions of 2015 Dollars)						
Year	Coos County Direct Impacts	Coos County Indirect Impacts	Coos County Induced Impacts	Coos County Total Impacts	Impacts in Remainder of NH	Total Impacts in New Hampshire
2016	\$29.91	\$6.36	\$5.95	\$42.22	\$8.18	\$50.40
2017	\$37.75	\$8.01	\$7.54	\$53.30	\$10.29	\$63.59
2018	\$38.76	\$8.18	\$7.78	\$54.71	\$10.51	\$65.22
2019	\$47.77	\$9.87	\$9.47	\$67.11	\$13.21	\$80.32
2020	\$52.14	\$10.77	\$10.45	\$73.35	\$14.35	\$87.70
2021	\$61.59	\$12.62	\$12.32	\$86.54	\$17.05	\$103.59
2022	\$68.20	\$14.17	\$13.67	\$96.04	\$18.54	\$114.58
2023	\$75.43	\$15.57	\$14.86	\$105.85	\$21.03	\$126.88
2024	\$82.77	\$17.17	\$16.32	\$116.26	\$22.99	\$139.25
Totals				\$695.38	\$136.15	\$831.53

Impacts From Construction of Residential “For Sale” Housing Units

Construction of residential housing units at the Balsams Resort will occur over time and will increase employment and wages in construction and other industries in Coos County and the State of New Hampshire. For this analysis we include only the cost of constructing the housing units as expenditures in the County that will produce indirect and induced (multiplier) effects from the residential housing

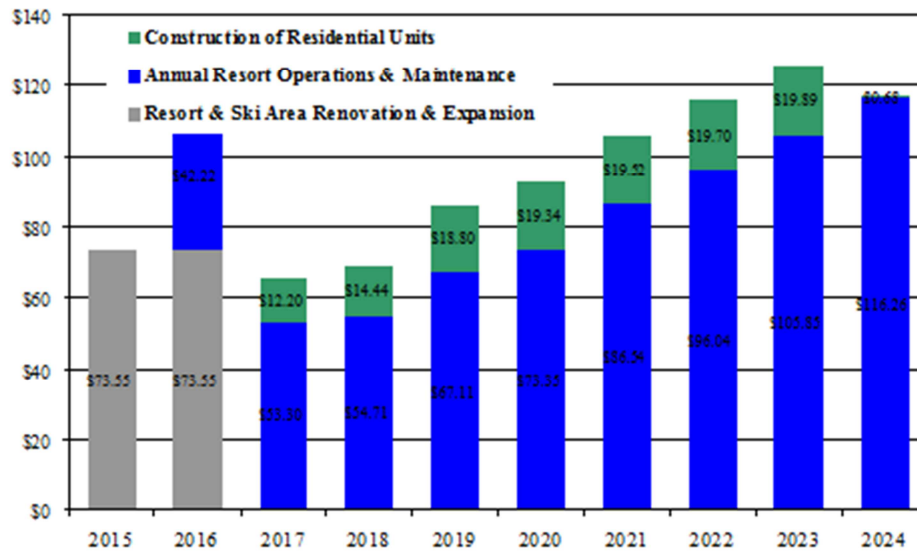
construction activity. Other activities that involve direct expenditures related to the financing, marketing and sales of the housing units are not included in our impact analysis. Table 3 shows that direct, construction related expenditures for residential housing units at the Balsams resort will rise from \$8.6 million to as high as \$14 million between 2016 and 2023 and increase economic activity in Coos County by \$12 million to \$20 million annually during that time. Between 2016 and 2024 construction of residential housing will increase economic activity in Coos County by \$137 million and economic activity throughout New Hampshire by \$166 million. Our results show residential development activity halting in 2024. It should be noted, however, that planned residential development will continue in 2024 and beyond. The planned development’s financial models use 10 year financial projections (2015-2024). For financial modeling purposes and to simplify cash flow projections by avoiding accounting issues with “work in progress,” it appears as though residential development stops abruptly in 2024, in fact, it is expected to continue.

Table 3 Impacts of Construction of Residential “For Sale” Housing Units (Millions of 2015 Dollars)						
Year	Coos County Direct Impacts	Coos County Indirect Impacts	Coos County Induced Impacts	Coos County Total Impacts	Impacts in Remainder of NH	Total Impacts in New Hampshire
2016	\$8.63	\$2.40	\$1.83	\$12.20	\$2.40	\$14.60
2017	\$8.63	\$4.71	\$1.83	\$12.20	\$4.71	\$16.91
2018	\$10.23	\$2.96	\$2.14	\$14.44	\$2.96	\$17.40
2019	\$13.32	\$3.71	\$2.79	\$18.80	\$3.71	\$22.51
2020	\$13.70	\$3.80	\$2.87	\$19.34	\$3.80	\$23.14
2021	\$13.83	\$3.84	\$2.89	\$19.52	\$3.84	\$23.36
2022	\$13.96	\$3.87	\$2.92	\$19.70	\$3.87	\$23.57
2023	\$14.09	\$3.90	\$2.95	\$19.89	\$3.90	\$23.79
2024	\$0.51	\$0.16	\$0.09	\$0.68	\$0.16	\$0.84
Totals				\$136.79	\$29.35	\$166.14

Between 2015 and 2024, the renovation and expansion of the Balsams Resort will increase economic activity (output or sales) by almost \$1 billion in Coos County (Figure 4) and increase the gross regional product (GRP) of the County by \$500 million in 2015 dollars. Annual impacts from all Balsams project activities will increase Coos County’s gross regional product² by between 2.3 to 3.7 percent over current GRP in the County.

² Gross regional product is the value of all goods and services produced in the county less the value of the intermediate or purchased goods and services required for production.

Figure 4
Annual Increase in Economic Activity (Output or Sales), Direct, Indirect, and Induced in Coos County Resulting From the Renovation and Expansion of the Balsams Resort by Project Activity (Millions of 2015 \$)



IV. Job Impacts

Estimates of employment impacts area derived using standard methodologies with input-output models. The dollar value, by industry, of the expenditures related to the Balsams Resort’s project is divided by the average productivity (the value of what each worker produces in one year) of workers employed in applicable industries to determine the number of workers needed to produce the required output. The productivity, practices, and staffing patterns of individual companies differ; the employment estimates in this report are based on industry averages in the region and are not specific to any individual company; thus, they may differ from the estimates made by by any individual company. We believe, however, they represent an empirically sound and conservative estimate of the employment impacts of the renovation and construction and operating phases of the project. Individuals associated with the Balsams project reviewed our estimates of the employment required for Resort operations and indicated that they were within 5 percent of their estimates for each year between 2016 and 2024.

Our model-based estimates of the employment impacts of the each of the broad project activities are presented in Table 4. Initial Phase I construction activity for renovation and expansion of the resort is estimated to support a total of 599 construction and construction related jobs over a 12 month period that occurs in both 2015 and 2016. For this analysis we have chosen to allocate those jobs evenly in each of the calendar years 2015 and 2016. The indirect and induced multiplier effects from direct Phase I expenditures will support another 283 jobs in Coos County during the initial renovation and expansion of

the resort and ski area.

Annual operations at the Balsams are estimated to result in 373 jobs initially, but grow to 1,400 by 2024 as the resort, ski area, and other recreational facilities expand. The indirect and induced employment impacts from annual resort and ski area operations will result in another 106 to 290 jobs in Coos County annually between 2016 and 2024.

Table 4										
Total Job Impacts in Coos County and NH From all Balsams Resort Project Activities										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Resort Renovation and Expansion (Construction)*										
Direct Impact	300	300								
Indirect Impact	114	114								
Induced Impact	169	169								
Total Impact	583	583								
*Assumes construction expenditures are spread evenly in booth 2015 and 2016										
Annual Resort Operations										
Direct Impact		373	487	521	670	739	892	999	1,249	1,402
Indirect Impact		53	67	69	83	90	106	120	131	144
Induced Impact		53	67	70	85	93	110	122	133	146
Total Impact		479	621	659	838	922	1,108	1,241	1,512	1,692
Residential Housing Unit Construction										
Direct Impact		52	69	60	77	79	79	80	81	9
Indirect Impact		16	23	19	25	26	26	27	27	1
Induced Impact		16	23	19	25	26	26	26	26	1
Total Impact		85	115	99	127	131	132	133	134	11
Total Jobs in Coos County										
	583	1,147	736	758	965	1,053	1,240	1,374	1,646	1,703
Job Impacts in Other Regions of NH										
Resort Renovation and Expansion	106	106								
Annual Resort Operations		54	68	69	87	94	112	121	139	151
Residential Housing Unit Construction		16	22	19	24	25	25	25	25	1
Total Jobs Outside of Coos County	106	176	90	88	111	119	137	146	164	152
Total Jobs in NH										
	689	1,323	826	846	1,076	1,172	1,376	1,521	1,810	1,855

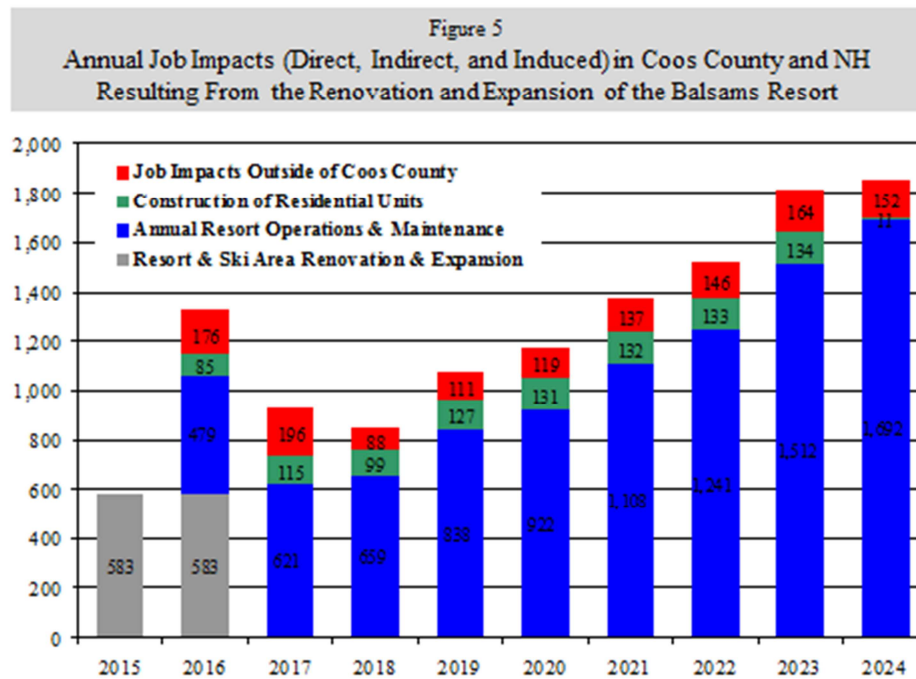
Construction of new residential “for sale” housing units at the resort will increase annual employment in the County by as many as 134 direct, indirect and induced jobs. Total annual jobs impacts in Coos County from the renovation and expansion of the Balsams Resort range from 583 in 2015, to a high of 1,703 in 2024. Table 4 also presents job impacts that will occur outside of Coos County but remain within New Hampshire as a result of the project. Those job impacts range from a low of 88 in 2018 to a high of 176 in 2016.

Pipeline Construction Impacts

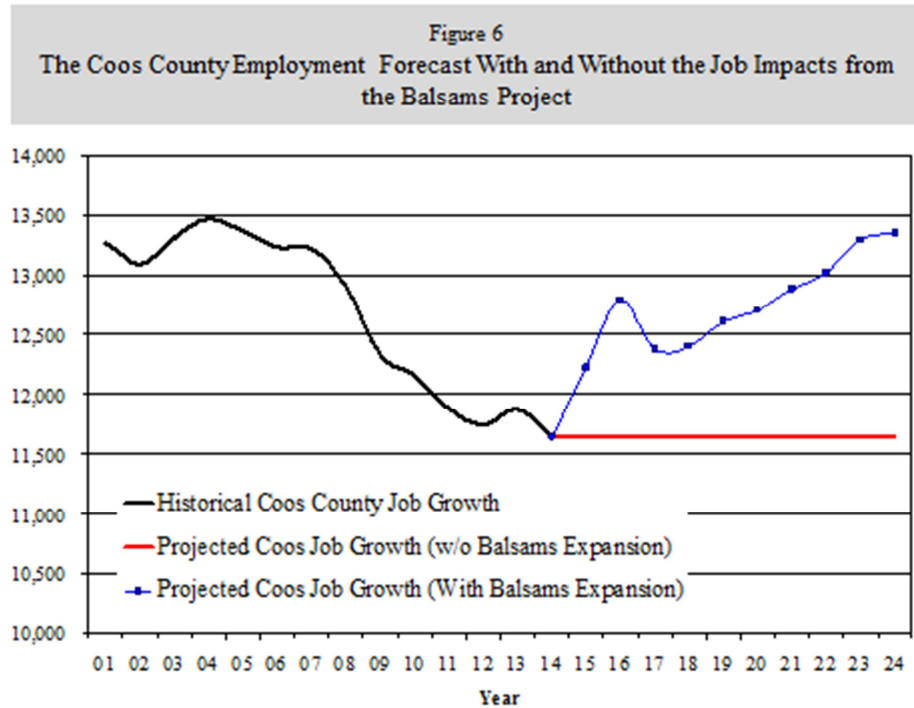
Expansion of the Balsams Wilderness Ski Area requires access to additional sources of water and the developers have applied for a permit to withdraw water from the Androscoggin River. Construction of a pipeline to pump water from the river to the resort is expected to cost \$8 million. Construction of the pipeline will support 34 direct, construction related jobs as well as another 32 direct and induced jobs in Coos County and \$5.1 million in labor income. These numbers are included in the job totals above.

V. Impacts on the Coos County Employment Growth Forecast

According to the Labor Market Information Bureau of the NH Department of Employment Security, Coos County is project to have no net job growth between 2010 and 2020. Based on the most recent 10 year period characterized by consistent employment declines, that forecast may be somewhat optimistic. The job impacts resulting from the renovation and expansion of the Balsams should be evaluated within the context of this recent and projected job growth in Coos County. Figure 5 shows our model determined estimates of annual job impacts in Coos County as well as job impacts outside of Coos County resulting from the Balsams project.



Accepting the NH Labor Market Information Bureau’s forecast of no net job growth in Coos County, Figure 6 shows the impact that employment related to the Balsams Resort project will have on employment growth in Coos County for the years 2015 to 2024. The figure shows that by 2024, the Balsams project will have created enough jobs to replace almost all of the jobs lost over the most recent 10 year period (assuming no further net job loss in the County).



VI. Labor Income Impacts

The direct, indirect, and induced employment impacts from the three broad redevelopment activities associated with the Balsams project; renovation and expansion of the Resort and ski area, annual operation of the Resort and Wilderness Ski Area, and construction of new residential housing units will increase annual labor income³ in Coos County by a low of \$18.7 million in 2017, to a high of \$47.2 million in 2016 (in 2015 inflation adjusted dollars). In addition, indirect and induced employment impacts from the renovation, expansion and operation of the Balsams Resort and Wilderness Ski Area that leak out of the county but which remain in New Hampshire will increase labor income in other regions of New Hampshire by from \$7.6 million to \$12.4 million annually in 2015 dollars between 2015 and 2024.

In total, labor income in Coos County will increase by \$283.4 million between 2015 and 2024 as a result of the project, and by \$89.3 million in other regions of New Hampshire. Combined, labor income in Coos County and New Hampshire will increase by \$383.1 million between 2015 and 2024 as a result of

³ Labor income includes all forms of compensation, including wages and salaries, benefits, and proprietors income.

the renovation, expansion, and operation of the Balsams resort and Wilderness Ski Area (Table 5).

Table 5
Total Labor Income Impacts in Coos County and NH From all Balsam Resort Project Activities
 (2015 \$millions)

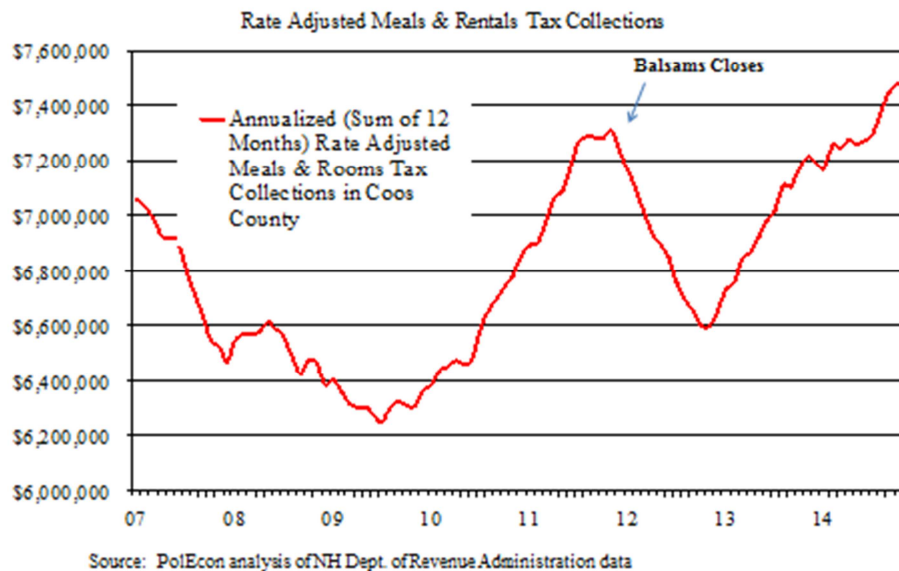
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Resort Renovation and Expansion (Construction)*										
Direct Impact	\$17.91	\$17.91								
Indirect Impact	\$6.74	\$6.74								
Induced Impact	\$7.57	\$7.57								
Total Impact	\$32.22	\$32.22								
*Assumes construction expenditures are spread evenly in booth 2015 and 2016										
Annual Resort Operations										
Direct Impact		\$7.72	\$9.80	\$10.14	\$12.33	\$13.63	\$16.07	\$17.75	\$19.30	\$21.19
Indirect Impact		\$1.86	\$2.34	\$2.38	\$2.91	\$3.17	\$3.73	\$4.22	\$4.59	\$5.05
Induced Impact		\$1.94	\$2.46	\$2.53	\$3.08	\$3.40	\$4.01	\$4.45	\$4.84	\$5.31
Total Impact		\$11.52	\$14.59	\$15.06	\$18.32	\$20.21	\$23.82	\$26.42	\$28.73	\$31.56
Residential Housing Unit Construction										
Direct Impact		\$2.26	\$2.62	\$2.60	\$3.41	\$3.51	\$3.54	\$3.58	\$3.61	\$0.11
Indirect Impact		\$0.63	\$0.75	\$0.75	\$0.98	\$1.01	\$1.02	\$1.03	\$1.04	\$0.03
Induced Impact		\$0.60	\$0.69	\$0.69	\$0.91	\$0.93	\$0.94	\$0.95	\$0.96	\$0.03
Total Impact		\$3.49	\$4.06	\$4.04	\$5.30	\$5.45	\$5.50	\$5.55	\$5.60	\$0.17
Total Labor Income in Coos County	\$32.22	\$47.23	\$18.66	\$19.10	\$23.62	\$25.66	\$29.32	\$31.98	\$34.33	\$31.72
Labor Income Impacts in Other Regions of NH										
Resort Renovation and Expansion	\$7.60	\$7.60								
Annual Resort Operations		\$3.70	\$4.65	\$4.75	\$5.95	\$6.48	\$7.69	\$8.35	\$9.47	\$10.35
Residential Housing Unit Construction		\$1.07	\$1.74	\$1.31	\$1.65	\$1.69	\$1.70	\$1.72	\$1.73	\$0.07
Total Labor Income Outside of Coos County	\$7.60	\$12.37	\$6.39	\$6.06	\$7.60	\$8.17	\$9.40	\$10.07	\$11.20	\$10.42
Total Labor Income in NH	\$39.82	\$59.60	\$25.05	\$25.16	\$31.22	\$33.83	\$38.72	\$42.05	\$45.53	\$42.14

VII. State Government Revenue Impacts

New Hampshire state government has designed its tax structure to tax most items purchased, and services used by visitors and travelers, except for retail trade goods. The largest single source of visitor spending that translates in state revenues is the meals and rooms tax. The closing of the Balsams Resort in December of 2011 resulted in a significant decline in meals, rooms and rental tax revenues in Coos County and the State of New Hampshire. Figure 7 shows how dramatic the decline in meals and rooms tax

collections was in Coos County following the closing of the Balsams Resort. Meals and rooms tax collections declined by almost \$1 million in Coos County in the 12 months following the Balsams closure.

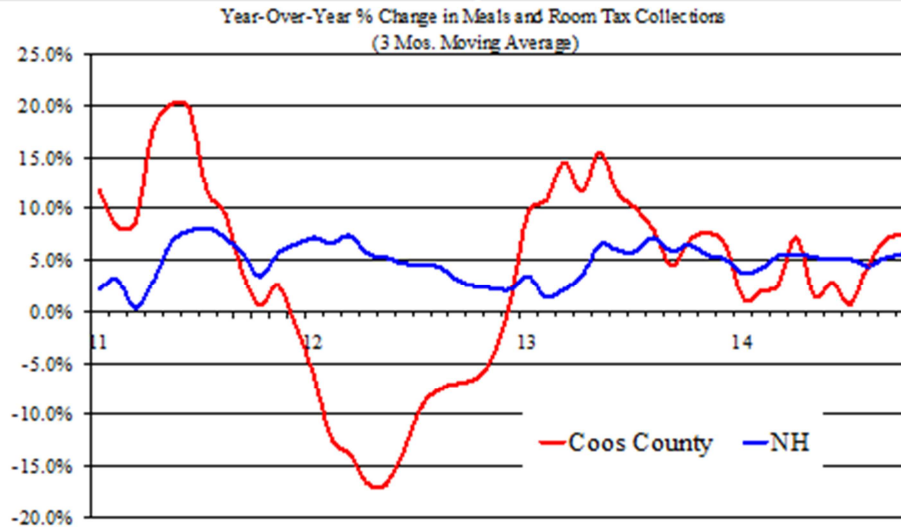
Figure 7
Rate Adjusted Annualized Rooms & Meals Tax Collections Fell by About \$1 Million in Coos County When the Balsams Closed. Price Increases Since 2011 Mean the Loss in Revenue is Now Over \$1 Million Annually.



The decline in meals and rooms tax collections in Coos County following the closure of the Balsams was not the result of a general or statewide decline in meals and rooms tax collections. Figure 8 compares the monthly year-over-year change in meals and rooms tax collections in Coos County with changes in meals and rooms tax collections statewide. The chart shows a year-over-year drop in meals and rooms tax collects of between 15 and 20 percent in Coos County immediately following the closure of the Balsams, compared to increased tax collections of between three and seven percent statewide.

Not shown in either of the two charts above is the impact that the closing of the Balsams had on other sources of state revenue resulting from visitor spending in New Hampshire. Other important sources of state revenue affected by visits to New Hampshire for tourism and recreational purposes include state liquor stores sales, gasoline taxes and tolls, fees collected from state parks, sweepstakes sales, beer taxes and telephone use taxes. Our estimates of the meals and rooms tax revenue associated with the renovation and expansion of the Balsams are derived from conservative estimates of the number of visitors to the expanded resort and associated resort revenues and are informed by evidence from changes in meals and rooms taxes in Coos County following the closure of the Balsams in December of 2011. Our estimates of meals tax revenue from the renovation and expansion of the resort range from \$1.5 million in 2016 to \$4.6 million in 2024 in nominal (not inflation adjusted) dollars.

Figure 8
When the Balsams Closed Late in 2011, Year-Over-Year Growth in Meals and Rooms Tax Revenue in Coos County Declined Dramatically and Compared to Growth Throughout New Hampshire



The Institute for New Hampshire Studies (INHS) at Plymouth State University conducts research on the tourism industry for the State of New Hampshire. The INHS produces estimates of the revenue associated with visitor spending on tourism and recreational activities in New Hampshire and in relation to meals and rooms tax collections.⁴ Applying that research, we can estimate additional (beyond meals and rooms tax revenue) state revenue impacts associated with the annual operations of the Balsams Resort and Wilderness Ski Area. Table 6 shows our estimates of the state revenue impacts of the renovation and expansion of the Balsams Resort each year from 2016 to 2024.

Table 6
State Revenue Impacts from Annual Operations of The Balsams Resort and Wilderness Ski Area

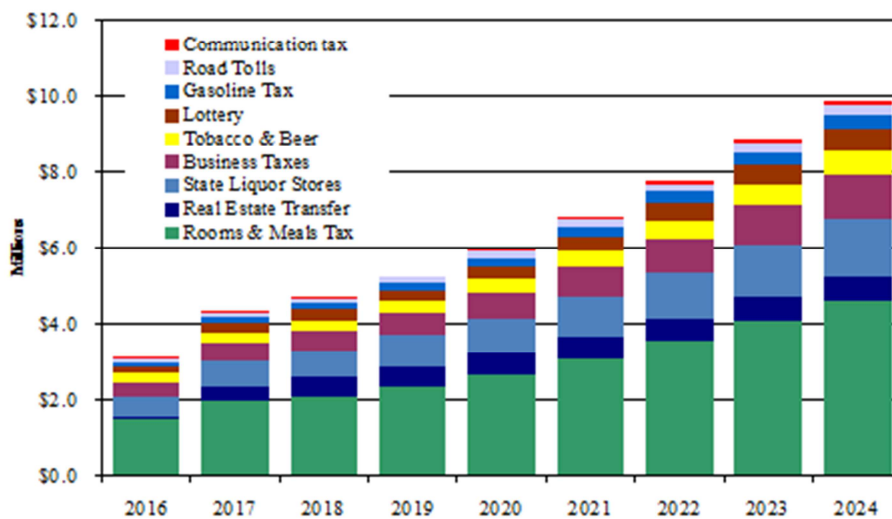
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Meals & Rooms	\$1,512,000	\$1,975,500	\$2,083,500	\$2,313,000	\$2,659,500	\$3,078,000	\$3,546,000	\$4,081,500	\$4,581,000
Real Estate Transfer	\$67,500	\$351,300	\$503,700	\$587,748	\$578,516	\$588,564	\$598,913	\$609,572	\$620,551
State Liquor Stores	\$518,804	\$677,842	\$714,899	\$793,646	\$912,539	\$1,056,136	\$1,216,718	\$1,400,461	\$1,571,852
Business Taxes	\$375,477	\$490,578	\$517,398	\$574,390	\$660,437	\$764,363	\$880,582	\$1,013,563	\$1,137,605
Tobacco & Beer	\$205,907	\$269,027	\$283,734	\$314,988	\$362,175	\$419,167	\$482,900	\$555,825	\$623,848
Lottery	\$190,766	\$249,245	\$262,871	\$291,827	\$335,544	\$388,346	\$447,393	\$514,956	\$577,977
Gasoline Tax	\$127,178	\$166,164	\$175,248	\$194,551	\$223,696	\$258,897	\$298,262	\$343,304	\$385,318
Road Tolls	\$90,841	\$118,688	\$125,177	\$138,965	\$159,783	\$184,927	\$213,044	\$245,217	\$275,227
Communications Tax	\$36,336	\$47,475	\$50,071	\$55,586	\$63,913	\$73,971	\$85,218	\$98,087	\$110,091
Total	\$3,124,808	\$4,345,819	\$4,716,598	\$5,264,702	\$5,956,103	\$6,812,370	\$7,769,029	\$8,862,485	\$9,883,468

⁴The Institute for New Hampshire Studies at Plymouth State University, "Tourism Satellite Accounts," various years.

Real estate transfer tax revenue estimates are included in our estimates and are based on expected price and absorption of residential housing unit sales at the resort. Business tax estimates are based on the forecast increase in total economic activity in the state resulting from the Balsams project and are not an estimate of the taxes to be paid by the Balsams Resort. In total, state government revenues associated with the annual operation of a renovated and expanded Balsams Resort by between \$3.1 million in 2016 and \$9.9 million in 2024. Several sources of state revenue identified by the Institute for New Hampshire Studies and associated with visits to the state and tourism and recreational activities are not included in the revenue estimates presented in Table 6.

Taxes and fees are also received by local government as a result of traveler spending but are not calculated in this report. The INHS estimates that about one percent of every tourist dollar ends up with local government. Figure 9 graphically depicts the annual revenue impacts from the annual operations of a renovated and expanded Balsam Resort and Wilderness Ski Area.

Figure 9
State Revenue Impacts From the Annual Operations of the Balsams Resort Will
Range From \$3.1 Million in 2016 to \$9.9 Million in 2024

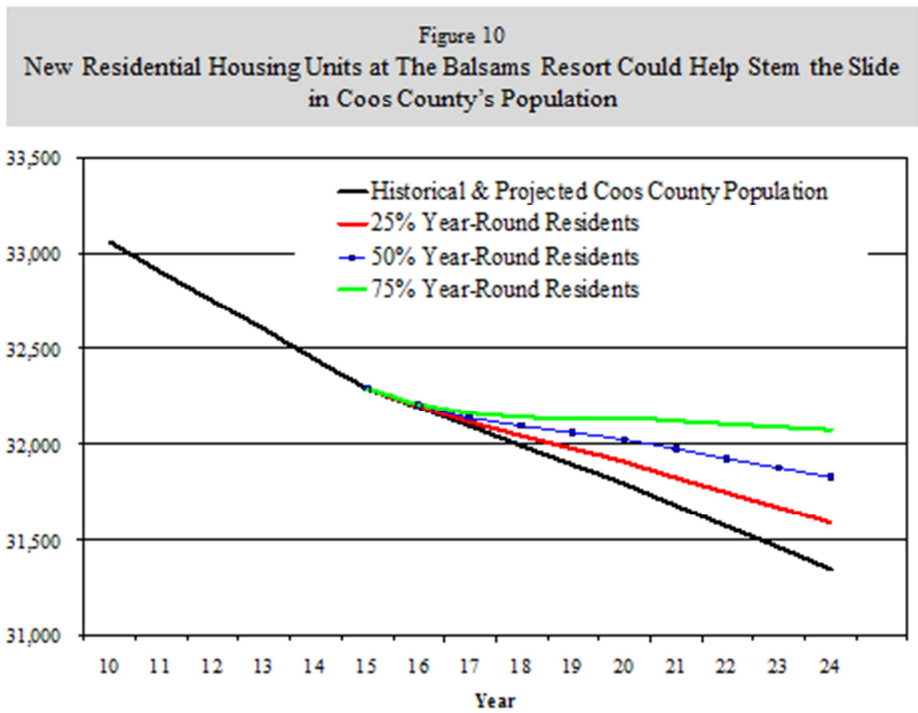


VIII. Population and Demographic Impacts

The closing of the Balsams Resort contributed to the image of Coos County (and perhaps New Hampshire’s North Country) as a region in decline. As an iconic symbol of the tourism industry in the state it may have also tarnished the image of New Hampshire as a premier location for visitors seeking high-end accommodations and recreational activities. At a minimum, the closure of the Balsams Resort reduced the number of individuals exposed to the natural beauty and amenities of the North Country of

New Hampshire. Research suggests that such exposures are an important element in determining the residential location decisions of individuals and families. New Hampshire has long benefited from the in-migration of individuals into the state who at one time were exposed (via tourism or recreational visits) to different regions of the state. Thus fewer visits to Coos County because of the closure of the Balsams may impede one source of potential population growth in the County. Moreover, visitors to the Balsams Resort are likely to be in middle and higher income households, a demographic that is relatively less represented in Coos County.

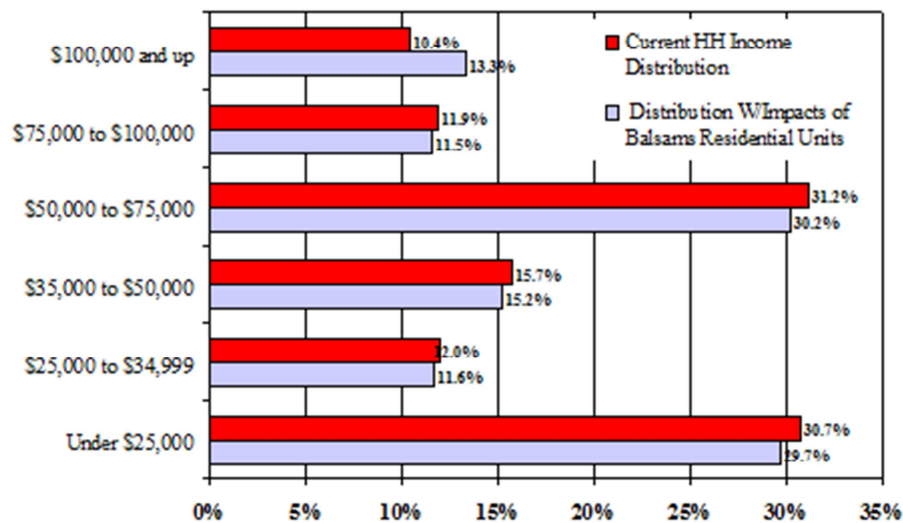
Increased visits to Coos County resulting from the renovation and expansion of the Balsams Resort will provide exposure for the region that could benefit longer-term population trends. Planned construction of residential housing units at the Resort will offer certain opportunities to help stanch the trend of declining population in the County. Based on the projected number of residential housing units to be built between 2016 and 2024 (not including any timeshare or fractional ownership units), and assuming two individuals reside in each unit, the population of Coos County can be expected to increase by between 242 and 726 residents (above the population level in the County in the absence of the project) by 2024 and depending upon the percentage of housing units that are sold to year-round residents. For our analysis we assumed a range of 25 percent to 75 percent of the units would be sold to year-round residents. Although seemingly small population increases, these numbers represent gains of from 0.8 percent to 2.4 percent over the current population of Coos County.



Any increase in residents in Coos County would help reverse the trend of population decline, but construction of new residential units at the Resort also offer the opportunity to increase the presence of higher income households in the County. Higher income households are not inherently better or more desirable but their higher levels of disposable income means that they are likely to make more purchases that can have a larger impact on expenditures in the local and regional economy. In addition, higher income households are likely to contain individuals with high skill levels and educational attainment. These individuals may not initially work in the region but they deepen the regional pool of talent and enhance the quality of the workforce, making the region more desirable for potential employers and enhancing the long-term prospects for revitalizing the regional economy.

Figure 11 shows that the construction of new residential units at the Balsams could have modest impacts on the likely distribution of household income in the region. The chart uses a scenario that assumes 50 percent of residential units are sold to year round residents and that sales are to individuals in households earning \$100,000 or above. Under these assumptions the percentage of households in the \$100,000 plus income category in Coos County will increase in that scenario from the current 10.4 percent, to a project 13.3 percent.

Figure 11
Initial Sales of Residential Housing Units Could Have Modest, Positive Impacts on the Household Income Distribution of Coos County



IX. Conclusions

The renovation, expansion, and annual operation of the Balsams Resort and Wilderness Ski Area will be the largest development project in Coos County in decades and will dramatically increase economic activity, jobs, and income in Coos County. In addition, the project can help begin to reverse the disturbing trend of population and demographic decline in the County. Combined, the construction activity associated with renovation and expansion of the Resort, the annual operations of the Resort, and the construction of new residential housing units for sale at the resort will have direct, indirect, and induced employment impacts that range from 583 to 1,700 jobs annually in Coos County. Labor income will increase from \$19 million to \$47 million annually in the County as a result of the project. In addition, employment and income outside of Coos County (but within other counties in the State of New Hampshire) will increase by 90 to 176 jobs annually and by \$7.6 to \$12.4 million in labor income between 2015 and 2024. New housing units will increase the presence of higher income, skilled individuals in the region, increasing the potential for the regional workforce and the long-term prospects for economic revival in the County. Depending on the percentage of housing units sold to year round residents, the population of Coos County will be 0.8 percent to 2.4 percent higher than it would have been without the Balsams renovation and expansion project. .

Finally, the closure of the Balsams Resort late in 2011 had clear impacts on collections of meals and rooms tax revenue in Coos County as well as impacts on several other sources of revenue that are affected by tourism and recreational visits to the state. The annual operations of the Balsams resort and Wilderness Ski Area are forecast to yield additional meals and rooms taxes of \$1.5 to \$4.6 million annually between 2016 and 2024 and to increase state revenue from all sources by \$3.1 million in 2016 to \$9.9 million in 2024.

Appendix A: Analytical Approach and Impact Methodology

This study uses an input-output (I/O) methodology to determine the economic and fiscal impacts of the project on the regional economy. Input-output models trace the linkages of inter-industry purchases and output within a given county, region, state, or country. These models use information on the inputs required from all industries in order to produce a dollar of output for a specified industry, and the models provide information on how much of the required inputs from industries can be supplied locally within the study area.

In addition to the direct spending required to produce a dollar amount of a given product or service, economic impacts occur as a result of “indirect” purchases that businesses, organizations, and government make among one another in the study region with their revenue from direct spending. Induced spending includes the purchases made by individuals and households within the study area as a result of the income they receive from the businesses and organizations in response to the direct and indirect sales in the region. Input-output models yield “multipliers” that are used to calculate the total direct, indirect, and induced effect on jobs, income, and output resulting from a dollar of spending on goods and services in the study area. The “IMPLAN” input-output model developed by the U.S. government and the University of Minnesota (available from the Minnesota IMPLAN Group, Inc.) was used in this analysis to calculate economic impacts.⁵

The IMPLAN model was chosen because of its ability to construct a model using data unique to Coos County while maintaining rich detail on impacts for hundreds of industry sectors. In addition to being widely used in regional economic analysis, the model and its methodology have been extensively reviewed in professional and economic journals. Data from the U.S. Bureau of Economic Analysis, U.S. Census Bureau, and other sources, along with the IMPLAN model, were used to determine the inter-industry transactions in the region required for calculating the impact of the Balsams Resort. Analytical results are reported for the economic measures of greatest interest to policy makers, elected and appointed officials, and the general public. Impacts were modeled for the renovation and expansion construction phase of the project, as well as the annual operations of the Resort and the construction of new residential housing units for sale at the Resort. Project impacts were modeled first for Coos County and a second analysis was performed using a model of the entire State of New Hampshire economy to determine the additional economic impacts that will occur outside of Coos County but that would remain within the State of New Hampshire.

Because Coos County is small and less self-sufficient economy than the overall State or U.S. economies businesses in the County may not have the ability to supply the needed products and services

5. A description of the IMPLAN model and technical references is available to readers at www.Implan.com.

required and some of the labor, goods, and services required to renovate, expand, and operate the Balsams Resort must be purchased or imported from surrounding regions and beyond and as indirect and induced economic impacts “leak” from the region and are captured by other regions in the state or the nation. In addition, some of the labor income earned as a result of the project will be used to make purchases or “leak” outside of Coos County.