

7.3 Economic Impact of Recreation Use Expenditures

One of the greatest economic contributions of the river enhancement project is the ability to create uses that either import dollars and or minimize the loss of local dollars to other communities for similar activities. Although the whitewater park and river enhancements will provide benefits in terms of improved quality of life, no attempt is made to value such benefits. Instead this analysis focuses on river recreation expenditures.

Based upon the information gathered from several whitewater parks and river communities throughout the country, a use scenario has been developed in order to evaluate the potential economic impact of the whitewater park use and river enhancements (See Tables 7-3 and 7-6).

7.3.1 Organized Events Use -Whitewater Park/River Events

Most communities hosting an organized river event hold one major festival per year. It is not uncommon for whitewater parks to host 2 to 4 organized events per year. The duration of events is in most cases 3 to 5 days (2 to 4 nights). Larger events can extend up to 7 days. The expected number of event participants can range from 75 to more than 200. Most of the participants (60-75 percent) are non-local residents. The number of spectators varies significantly. Combined whitewater events with a river festival can draw as few as 500 and as many as 300,000. Organized events alone typically draw between 250 to as many as 5,000 spectators. The scenario used to evaluate the economic impacts assumes that only 30 percent of spectators are out-of-town visitors traveling to the area for the primary purpose of attending the event. IMPLAN model inputs are included in Table 7-3. They represent a reasonable level of development and use that can be expected within the first two to three years of operation.

Table 7-3 Initial Whitewater Park/River Event Level of Use and Expenditures

MODEL INPUTS	FESTIVAL & ORGANIZED EVENT	ORGANIZED EVENT	TOTAL
Number of Annual Events	1	1	2
Event Participants	100	100	200
<i>Overnight Visitors (60%)</i>	60	60	120
Event Spectators	3,000	1,500	4,500
<i>Overnight Visitors (30%)</i>	900	450	1,350
Visitor Nights	2.5 nights	2.5 nights	2.5 nights
Avg. Daily Per Capita* <i>Expenditures-Gaming</i>	\$286	\$286	\$286
Avg. Daily Per Capita* <i>Expenditures-W/O Gaming</i>	\$104	\$104	\$104

*RSCVA Visitor Profile

Average daily per capita expenditures for visitors was obtained from the Reno/Sparks Visitors and Convention Authority's 1999 Visitor Profile. Because it is assumed that overnight visitors are coming to the area primarily for river related events, the economic impact analysis is performed with gaming expenditures and without gaming expenditures in the overnight visitor budgets.

Results for Whitewater Event Overnight Visitors

Using the model inputs contained in the Table 7-3 yields the following economic impacts in Table 7-4. Total overnight out-of-town participants and spectators for Whitewater Park events equaled 1,470. Table 7-4 shows the impacts of event visitors (participants and spectators) with gaming expenditures.

Table 7-4 Annual Washoe County Economic, Employment, Labor Income and State and Local Government Tax Revenues of Overnight Event Visitors with Gaming Expenditures

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$925,416	\$263,347	\$309,361	\$1,498,124
Employment	16.4	3.6	4.1	24.2
Labor Income	\$368,539	\$107,223	\$120,264	\$596,026
State and Local Government Revenues				\$98,944

Table 7-5 shows the overnight event visitor impacts without gaming expenditures.

Table 7-5 Annual Washoe County Economic, Employment, Labor Income and State and Local Government Tax Revenues of Overnight Event Visitors without Gaming Expenditures.

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$256,566	\$68,696	\$83,255	\$408,517
Employment	5.5	0.9	1.1	7.5
Labor Income	\$100,983	\$27,053	\$32,365	\$160,401
State and Local Government Revenues				\$29,356

The willingness of overnight visitors to gamble makes a significant difference in the overall economic impact of the project.

7.3.2 Non-Event Use

The ability to raft the Truckee River is a net economic benefit because it keeps recreational dollars in Reno and Sparks instead of going out of state. In addition to the economic impacts from organized events at the whitewater park, there are also economic impacts that result from non-event use. Those uses include:

- Commercial whitewater rafting
- Non-event whitewater park use

Table 7-6 summarizes the non-event use model inputs. The model inputs are conservative based upon information collected from other communities and river related uses. Commercial whitewater rafting expenditures by visitors and local residents are included in the analysis. Expenditures by local residents for whitewater rafting are considered in the impact analysis because residents must currently travel to out-of-town locations to enjoy whitewater rafting.

It is likely that commercially available rafting on the Truckee River will increase the number of day-trip visitors to the area from surrounding communities. People from surrounding communities and summertime vacationers staying at area campgrounds, motels, and other vacation facilities may choose to participate in a whitewater rafting experience on the Truckee River. Average daily per capita expenditures for commercial whitewater rafting was set at \$45.00 for the model input. This includes \$25/day for rafting fee, \$10 for food and \$5.00 for transportation.

Table 7-6 Non-event use Model Inputs

ACTIVITY	ANNUAL LEVEL OF USE	AVERAGE DAILY EXPENDITURES PER CAPITA
Rafting	20,000	
Commercial Users	16,000	\$45.00
Private Users	4,000	\$15.00
Whitewater Park	10,000	
Local Use (85%)	7,500	\$15.00
Overnight Visitor Use (15%)	2,500	\$104-\$286 Avg. stay 1.5 nights

Based upon information gathered from other communities concerning non-event whitewater park use, it is reasonable to expect that the availability of this type of facility may draw overnight visitors to the area. Non-event visitor use at the whitewater parks could be as high as 50 percent of total use. However, conservative estimates of non-event use from overnight/out-of-town visitors (15 percent), average daily expenditures (\$15 per person per day), and total non-event use at the proposed whitewater park was used for the model inputs. Total annual use could ultimately range from 10,000 to as many as 50,000 or more users. Expenditures by overnight visitors are the same as shown in the RSCVA visitor profile.

Results for Non-Event Overnight Visitors

Table 7-7 shows the impacts of 2,500 non-event whitewater park overnight visitors with gaming expenditures. The analysis assumes visitors will stay approximately 1.5 nights in the Reno/Sparks area.

Table 7-7 Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts of Non-Event Overnight Visitors with Gaming Expenditures

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$946,159	\$269,261	\$316,301	\$1,531,721
Employment	16.8	3.7	4.2	24.7
Labor Income	\$376,802	\$109,634	\$122,961	\$609,367
State and Local Government Revenues				\$101,156

Table 7-8 shows the impacts of 2,500 non-event whitewater park overnight visitors without gaming expenditures. As with Table 7-7, the analysis assumes visitors will stay approximately 1.5 nights in the Reno/Sparks area.

Table 7-8 Annual Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts of Non-Event Overnight Visitors without Gaming Expenditures

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$263,523	\$70,597	\$85,535	\$419,655
Employment	5.7	0.8	1.2	7.7
Labor Income	\$103,731	\$27,810	\$33,252	\$164,793
State and Local Government Revenues				\$30,134

Table 7-9 shows the impacts of 7,500 local users of the whitewater park. There are no gaming expenditures or overnight stay.

Table 7-9 Annual Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts of Local Whitewater Park Users

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$57,390	\$14,312	\$17,684	\$89,386
Employment	1.5	0.2	0.3	2.0
Labor Income	\$21,904	\$5,293	\$33,252	\$34,072
State and Local Government Revenues				\$6,713

Results of Commercial Rafting

There is expected to be 16,000 users of commercial rafting annually along the Truckee River (see section 7.3.2 and Table 7-6). Based on this assumption, commercial rafting related expenditures are shown in Table 7-10.

Table 7-10 Annual Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts of Local/Non-Local Users of Commercial Rafting

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$602,480	\$146,451	\$193,210	\$942,141
Employment	11.4	1.7	2.6	15.7
Labor Income	\$239,863	\$57,271	\$75,110	\$372,245
State and Local Government Revenues				\$53,167

The total economic output for commercial rafting use is \$59 per user. As seen in Table 7-2, the total economic impact from other rivers in the United States was \$154 per user. As a result, economic impacts from Truckee River commercial rafting use could be much higher. Using the higher per capita economic impact, Truckee River total economic impact from commercial rafting could be as high as \$2,464,000 annually.

The economic impacts from approximately 4,000 private river rafting/kayaking are shown in Table 7-11.

Table 7-11 Annual Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts of Private Rafting/Kayaking Trips

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Output	\$30,620	\$7,636	\$9,435	\$47,691
Employment	0.8	0.1	0.1	1.0
Labor Income	\$11,687	\$2,824	\$3,668	\$18,179
State and Local Government Revenues				\$3,582

Total Economic Impact from Event and Non-Event Use

Table 7-12 shows the total economic impact from all river related uses. Variations in economic impact are due to gaming and non-gaming expenditures levels used in the analysis.

Table 7-12 Annual Washoe County Economic, Employment, Labor Income and State and Local Tax Revenues Impacts From all Uses

CATEGORY	DIRECT	INDIRECT	INDUCED	TOTAL
Annual Output	\$1,210,579 to \$2,562,065	\$307,693 to \$701,007	\$389,119 to \$845,991	\$1,907,392 to \$4,109,063
Employment	24.9 to 46.9	3.7 to 9.2	5.2 to 11.2	33.8 to 67.3
Annual Labor Income	\$478,167 to \$1,018,794	\$120,251 to \$282,244	\$151,270 to \$328,878	\$749,688 to \$1,629,916
State and Local Government Revenues				\$122,952 to \$263,562

The economic impact analysis focuses on river related recreation expenditures that result in an inflow of dollars to the community and or a reduction of expenditures made by local residents in other communities for similar activities. Two important factors not included in this analysis that could change the results are:

- Whether or not gambling related visitors will increase their overall travel/trip budgets due to the availability of improved river recreation. According to the RSCVA 1999 Visitor Profile Study, expenditures for recreation and sightseeing have declined substantially since 1990.
- Whether or not day trip visitors for river related activities to the Reno/Sparks area will choose to gamble and make other expenditures in the local economy. Additional spending by this segment of people could substantially increase the overall economic impact of the project.

7.3.3 Operating Expenditures and other Revenues for River Related Activities

Based on a survey of communities that have whitewater parks (artificial waterways or river enhanced features), annual maintenance costs are either nonexistent or minimal. Naturally enhanced rivers do not require liability insurance. As a result, the primary outlay would be for the initial capital costs.

Officially sanctioned or sponsored events do incur costs. Based upon information collected for various events from Golden and Vail Colorado and from Wausau, WI, major events particularly those held in conjunction with river festivals can range from \$40,000 to \$80,000. The cost to operate events can be offset by sponsorships, volunteer organizations, event fees, donations, fees on concessions, and charges on all whitewater commercial use. Fees for event participants generally range from \$10 to \$100 per event. One potential uncompensated cost is professional staff time for the planning and coordination of a combined competitive event and river festival that could require a third to half-time equivalent (approximately \$30,000 annually).

7.3.4 Return on Investment and Funding

Improvements to the Truckee River would pay for themselves quickly. There are two ways to view whether or not expenditures for Truckee River enhancements create a net economic benefit for the region. The first method compares total economic output over a specified number of years to the initial capital costs and any subsequent operational costs. The second method is of more importance to government agencies and is the ability of the investment to generate new tax revenues as a means to evaluate the benefits of the project.

Comparison with the Total Economic Output

The estimated cost of river improvements is approximately \$2.8 million. As shown in Table 7-13 the estimated overall economic impact has the potential to range from \$1.9 million to \$4.1 million in the first year. Holding this use scenario constant for 10 years yields \$18.2 million to \$39.3 million in total economic output. This amount is sufficient to **repay the project costs in one to two years of full operation** with two competitive whitewater park events, commercial river rafting, and non-event use by overnight visitors.

As shown in Table 7-13, the net present value of the total economic impact discounted at 6 percent over a period of 10 years is expected to yield between \$7.2 million and \$15.6 million in total economic output, roughly 3-5 times the initial investment of \$2.8 million. The net present value is the inflation adjusted annual economic impact over ten years discounted back at 6 percent to reach present value.

Table 7-13 Total Economic Output And Estimated Payback in Years

	YEAR 1	YEARS 1-10	ESTIMATED PAYBACK
Gross Output	\$1,907,392 to \$4,109,063	\$18,250,613 to \$39,317,032	1-2 years full operation
Net Present Value @ 6%	\$1,907,392 to \$4,109,063	\$7,173,296 to \$15,595,650	

Comparison with State and Local Tax Revenues

River related events and use would generate state and local taxes. The total amount of taxes generated from river related use is expected to range from \$122,952 to \$263,562 annually (Table 7-14). The net present value of state and local taxes generated annually over a ten-year period and discounted at 6 percent is expected to yield between \$1.8 million and \$2.5 million. Total payback with state and local taxes only is expected to be 10 to 15 years with the level of use described in Tables 7-3 and 7-6.

Table 7-14 State and Local Government Taxes Estimated Payback in Years

	YEAR 1	YEARS 1-10	ESTIMATED PAYBACK
Gross Tax Revenues	\$122,952 to \$263,562	\$1,574,747 to \$3,375,658	10-15 years full operation
Discounted-NPV	\$122,952 to \$263,562	\$1,176,452 to \$2,521,866	

7.3.5 Future Development

The use scenario for the Truckee River developed in this analysis is conservative in terms of total use and recreational expenditures. There is a significant amount of upside development potential that could substantially increase the level of economic benefit to the Reno/Sparks area. It is possible, for example, to increase the number of organized events to 4 per year instead of 2. Increasing the number of events could potentially add another 800 to 1,000 overnight visitors. Several communities routinely host four events each year including national and international venues. It is also very possible that future water park use could be well in excess of 10,000 users annually. For example, twenty thousand annual whitewater park users may yield 5,000 to 6,000 overnight visitors. And finally, there is significant upside potential for whitewater rafting and increasing the number of overnight visitors and day trip visitors as well as the level of expenditures made in the local economy. Recall that the analysis assumes no overnight visitors for whitewater rafting and a level of daily expenditures that is significantly less than expenditures made at other whitewater rafting rivers.

Increasing the level of use beyond the initial scenario described in this section will depend upon a number of factors such as the willingness of the community to promote events and river use and the quality of the experience, particularly compared to other similar activities in the region. The potential upside increase in use may possibly yield an overall economic impact that is nearly twice the levels shown in Tables 7-12, 7-13 and 7-14.

Other factors that support increased use include:

- There are no other enhanced or artificially developed facilities in the Far West (Oregon, California, Washington, Nevada, Utah, and Idaho.) There are few organized whitewater events in California.