Fiscal and Economic Impacts of Destination Resorts in Oregon

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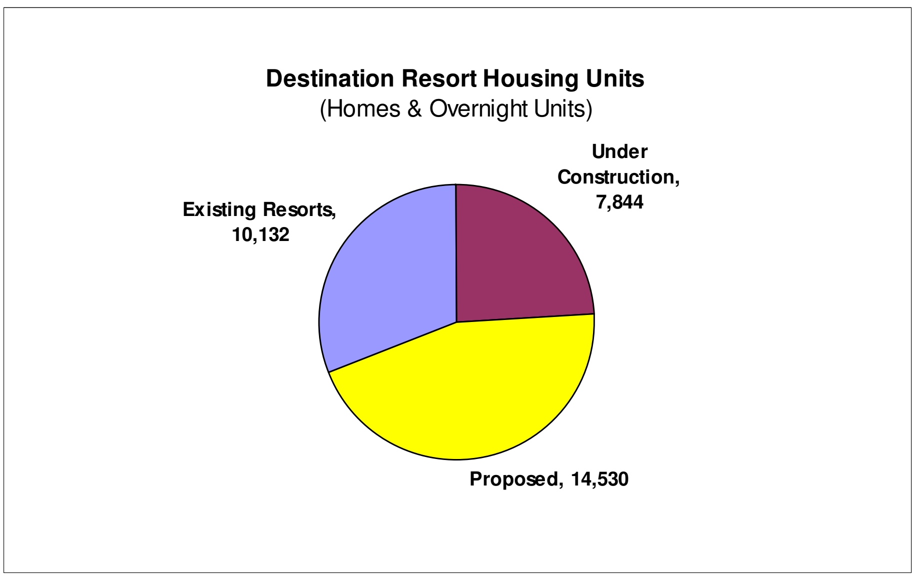
Executive Summary

Destination resorts have proliferated rapidly in the State and will have increasingly significant impacts, both positive and negative. Oregon has eight existing resorts, most of which are historic, or pre-Goal 8 resorts. Another seven are approved and under construction, and thirteen more have been proposed. If the recently-approved and proposed resorts are built, Oregon's destination resort capacity will approximately triple.

Figure 1



This study focuses on the fiscal and economic impacts destination resorts have on the local communities where they are being built. The fiscal impact associated with providing public facilities and services to this form of exurban development are examined, as well as the economic impacts associated with the employment and housing needs they generate.

The proposed Thornburgh Resort, to be located near Redmond in Deschutes County, is used as a case study for in-depth analysis. This proposed resort is fairly typical of destination resorts being built in Oregon in terms of its overall profile (land area, mix of homes and overnight units, and recreational facilities). To facilitate comparison of fiscal impacts, the costs and revenues were estimated for a completed resort in 2008. This allows for a more intuitive understanding of the impacts of resort development under current economic conditions.

The fiscal impacts of the resort take into consideration all known current and future payments towards the final costs, resulting in real net cost estimates. For example, the resort is credited for future tax payments that could pay for a portion of the expanded facilities and infrastructure the resort will require. In this manner, the net costs reported here represent costs that will not be recovered from the resort.

As shown in Table 1, the net costs for the six categories of infrastructure required by the Thornburgh Resort total $51 million. These are offsite infrastructure costs and do not include any of the roads or utilities within the resort.

Table 1

Net Facility Cost Summary, Thornburgh Resort

Category of Facility	Net Cost Estimate[1]
Transportation System	$39,149,282
School Facilities[2]	$4,752,973
Fire & EMS Facilities	$580,813
Public Safety Facilities	$4,591,181
Parks & Rec. Facilities	$463,562
Gen Gov. Facilities	$1,744,601
Total Net Cost:	**$51,284,705**

(1) Net costs are total gross costs, minus any payments or revenues from the resort that fund infrastructure, including future tax payments and SDCs.
(2) The school cost figure is for the lower estimate of student generation.

The $51 million in infrastructure costs associated with the Thornburgh Resort is more than 100 times greater than the $466,000 annual surplus of tax revenues estimated for Deschutes County services. The surplus was largely attributed to room tax revenues of $430,000. If the full amount of the annual surplus was used to help finance infrastructure bonds, it would reduce the infrastructure costs by $5 million, resulting in a net fiscal cost of $46 million for this resort, as shown in Table 2.

Table 2

Net Fiscal Impact of Thornburgh Resort

Category	Cost
Net Infrastructure Cost	$51,284,705
Less Capital Equivalent of Revenue Surplus[1]	($5,348,967)
Net Fiscal Impact:	**$45,935,738**

(1) This is the value of capital facilities that could be financed with a $466,344 annual revenue stream at 6% interest over 20 years.

In conclusion, local governments and local taxpayers would be left with a cost burden of $46 million if the Thornburgh Resort is fully completed as proposed. This is a net cost after the resort has been credited for all known payments and tax revenues it will generate. The cost will ultimately be borne by other taxpayers (not the resort) through some combination of higher taxes, reduced public services, and lower facility service standards.

The study also examines employment and housing impacts for the proposed Thornburgh Resort. Due to the temporary and seasonal nature of resort employment, jobs tend to fluctuate greatly. Most of the permanent resort jobs are low-paying and in the "leisure and hospitality" sector that pays only half of the average wage in Deschutes County. Additionally, resort employment attracts newcomers, so many jobs will not go to local residents. Resort employment creates a high demand for housing that is affordable to low-wage workers.

To obtain an estimate of statewide fiscal impacts, the costs for the Thornburgh Resort were extrapolated to all of the destination resorts currently planned or under construction in Oregon. Based on the 22,374 residential units in destination resorts that are either under construction or proposed in Oregon, the total future fiscal impact is estimated to be a net cost of $747 million. As shown graphically in Figure 2, almost two-thirds of this cost will come from the resorts that are being proposed.

Figure 2