

A REVIEW OF ECONOMIC IMPACTS ASSOCIATED WITH CAPITOL LAKE

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Capitol Lake has a number of aspects that have a direct bearing on the economic health of the community. This paper addresses these economic impacts from three perspectives:

1. The investments that have been or are planned to be made that would be negatively impacted if the Fifth Avenue Dam were removed and Capitol Lake was replaced by tidal mudflats;
2. The economic value of the recreational marine industry that has flourished with the dam serving to keep excessive silt from entering lower Budd Inlet including the tax and fee revenue that are paid by the marinas; and
3. The economic impact of the Port of Olympia's commercial marine terminal operations in lower Budd inlet.

Summary

1. The investments that have been or are planned to be made that would be negatively impacted if the Fifth Avenue Dam were removed total \$84.162 million;
2. The recreational marine industry in the western portion of Lower Budd Inlet generates nearly \$24 million annually in economic benefits to the community and pays nearly \$400,000 per year in taxes and fees;
3. The economic impact of the Port of Olympia's commercial marine terminal totals over \$225 million annually. The port also paid \$11.9 million in taxes.

Current and Planned Investments Related to Capitol Lake and Lower Budd Inlet

Capitol Lake has served as an integral part of the Capitol Campus and has prompted development of several public gathering places. These include Marathon Park, Heritage Park with its Arc of Statehood, and the Heritage Park Fountain. In addition, the walk around the lake is a favorite walking venue for people from miles around, at least in part due the aesthetic value of the beautiful setting. The lake also serves as the focal point for the annual Lakefair celebration that involves extensive use of Heritage Park

Capitol Lake also serves to trap sediment that comes down the Deschutes River at the rate of 35,000 cubic yards annually and would otherwise have dumped six feet of sediment in lower Budd Inlet every ten years. If the Fifth Avenue Dam had not been built in 1951, it is likely that the lower inlet would have silted up except for a channel for the Port of Olympia. In this case it is unlikely that the investments in Percival Landing and the new West Bay Park with Rotary Point would have been made. As can be readily seen, removal of the dam would negatively impact those investments.

EXTENT OF WATERFRONT INVESTMENT PROJECTS

Lakefront and Western Lower Budd Inlet

1. Heritage Park
 - Total State of Washington investment in land acquisition and development of Heritage Park including interpretive center: \$18.813 Million*
 - Heritage Park Foundation donation of \$60,000

2. Marathon Park
 - Total investment in development of Marathon Park by State of Washington: \$904,000*

3. Percival Landing
 - Total previous investment in Percival Landing by City of Olympia from all fund sources: \$4.429 Million**

 - Improvements from all fund sources: Phase 1: \$14,020,735***
Estimated costs of Phases 2 and 3, 40 Million**

4. Fountain
 - Total Land Acquisition and Development Cost to City of Olympia: \$3.0 Million**

 - Annual Maintenance Cost to City of Olympia: \$45,000**

5. Westbay Park
 - Planned Expenditure by City from all fund sources: \$2.5 Million for Phase 1** (No estimate is available for complete development pending completion of a master plan)

 - Rotary Point – Estimated cost to Rotary Clubs of South Sound: \$300,000

6. Total Previous Investments: \$41,361,735 (Including three years fountain operating costs)
7. Total Planned Investments: \$42.800,000 (Not including future Westbay Park phased developments subject to completion of master plan)
8. Total Previous and Planned Waterfront Investments: \$84.162 Million

Sources:

*Nathaniel Jones, General Administration

**Dave Hanna, City of Olympia, Parks Department

***Daily Olympian, August 26, 2011

The table on the preceding page provides information on the dollar amount of current and planned investments and indicates that over \$84,000,000 has or will be spent. It should be noted that that amount does not include the construction and earthquake repairs to Deschutes Parkway or its value as a transportation link to Mottman Hill. Neither does it attempt to put a dollar value on the significant aesthetic improvements that came with the elimination of the previous tidal mudflats.

It is clear that Capitol Lake has served as a vital link between the Capitol Group and Puget Sound. As such, it has stimulated development both around the lake and in lower Budd Inlet. The next section of this paper looks at the economic impact of the small boat marine industry that has flourished in the area north of the dam.

The Economic Value of the Recreational Marine Industry in Lower Budd Inlet

The area of Budd Inlet immediately north of the Fifth Avenue dam contains five marinas providing a total of 795 slips for a very active recreational boating industry. BST Associates of Bothell, Washington, conducted the most pertinent and recent study of the economic value of this type of industry for the Port of Bellingham. The Port was exploring a number of options for expanding the use of their waterfront including a new marina. The BST report, *Community Economic Benefits of a New Downtown Clean Ocean Marina* estimated both the direct and indirect economic benefits of a new marina. Quoting from the report, "The proposed Marina (350–450 slips) is expected to generate approximately \$6.8 million in direct and \$10.5 in total output per year (in 2005 dollars) from permanent and transient use and port operations." Using a mid-point figure of 400 slips, the direct economic value per slip was \$17,000 and the total economic value was \$26,250.

Applying the BST estimated values per slip to the lower Budd Inlet marinas (795 slips) indicates an annual economic value of \$13.515 million in direct benefits and \$20.869 million in total benefits to the local area. These amounts are in 2005 dollars. To calculate the present day value, it is necessary to apply the percentage change in the Implicit Price Deflator (the best index of the effect of time on the value of the dollar) since 2005. According to the Bureau of Economic Analysis of the U.S. Department of Commerce, there has been a 13.73% percent change from 2005 to 2011. This results in current day estimates of \$15.371 million in direct and \$23.735 million in total annual economic benefits to the community from the recreational marine industry in lower Budd inlet.

Recreational boating is one of the more significant economic engines in the City of Olympia and Thurston County. According to Port of Olympia estimates, removal of the Fifth Avenue dam would result in an average of six feet of silt in the lower inlet every 10 years. This would definitely adversely affect the existing marinas. It is not possible to know whether the City or County would pay to dredge the area or if those costs would be borne by the marinas. If the latter, the costs could result in them going out of business. In this event, the economic value to the area would be greatly diminished. Another aspect that would be affected is the potential loss of tax and fee income to state and local governments.

As with any industry, taxes on property value must be paid. In addition, use of the waters requires fees to be paid to the State Department of Natural Resources. A survey

of the marinas¹ indicates a total of approximately \$390,000 paid in taxes and lease fees. This is another indicator of the value of the recreational boating industry to the area.

The Economic Impact of the Port of Olympia's Marine Terminal Operations

The largest economic engine of the Olympia waterfront is the Port of Olympia's Marine Terminal. In January, 2011, Martin Associates of Lancaster, Pennsylvania completed an economic analysis of the Port of Olympia as of 2009. The complete report is available at portolympia.com/index.aspx?nid-240. The results of that analysis dealing only with commercial marine operations of the port (excluding marina operations) can be summarized as follows:

In 2009, maritime activity (cargo and vessel activity) at the Port of Olympia Marine Terminal created the following economic impacts:

- 177 direct jobs;
- 182 induced jobs were supported by the purchases of the 177 directly employed individuals;
- 48 indirect jobs were generated as a result of \$6.2 million of local purchases by firms directly dependent upon seaport activity at the Port of Olympia marine cargo facilities for a total of 406 jobs related to Marine Terminal activity;
- The 177 direct employees earned \$9.4 million in wages and salaries, for an average salary of \$53,400 per year;
- The personal income associated with all Port Marine related jobs totaled \$33.2 million;
- Businesses providing services to the cargo activity received \$194.7 million of business revenue; this is direct revenue from the provision of services and does not include the value of the cargo moved via the marine terminal. The value of the cargo is determined by the demand for the cargo, not the specific port used.
- A total of \$3.0 million of state and local taxes were generated by seaport activity; In addition a total of \$8.9 million of total Federal Taxes were collected.

As the above summary indicates, the Marine Terminal operations of the Port of Olympia were responsible for over \$225 million in economic benefits in 2009.

As can be seen by this analysis, the Capitol Lake/Lower Budd Inlet waterfront is a major contributor to the economic health of Thurston County. Converting the Lake into tidal mudflats would contribute nothing to the economy and would seriously degrade current economic benefits along with the loss of intangibles such as aesthetics and public pride.

¹ Responses were received from three of the four marinas most directly affected (Martin Marina, Olympia Yacht Club and Fiddlehead Marina). West Bay Marina, affected to a lesser degree, also responded. One-Tree Marina's amount was estimated based on the average amount per slip of the responding marinas.