

Long Run Growth

The amount and kind of long run economic development that will take place in the eight county study area is dependent on many factors. Factors such as entrepreneurial risk taking are very difficult to predict. On the other hand, investment capital readily flows to its highest and most profitable use. The primary factor for many businesses that are seeking a new location is the supply of available labor. Although we cannot forecast the future labor supply, we can look at population forecasts for the region. Chart 4-2 shows the county population from the 1990 census, 2000 census, and our projections at ten-year intervals to 2040.²¹ While the projected population changes between 2000 and 2040 are modestly positive for the smaller counties in the study area, the projected population changes for the two largest counties in the western range of the study are quite positive. Because the accuracy of forecasts decreases as the forecast horizon increases we have chosen to limit our analysis to a forecast horizon of 2030. Finney County is projected to grow 101 percent to about 81,400 people by 2030 and Ford County is expected to grow 54 percent to about 50,000 people. In 2000 the population of the eight county region was 159,114. By 2030 the population is expected to reach 231,139 (a 45.3% increase). Chart 4-3a shows our expectations about the change in population that will occur due to spillover effects. These spillover effects are the result of the substantial increases in population in Finney and Ford Counties and the availability of the upgraded US 50. Chart 4-3b is limited to the five smaller counties and is provided because the changes in population are difficult to discern in Chart 4-3a due to compression.

²¹ Our projections are based on a quadratic fitted regression line. This function more closely matches the historical data than the linear regression used by PRI.

Chart 4-2 Projected County Population

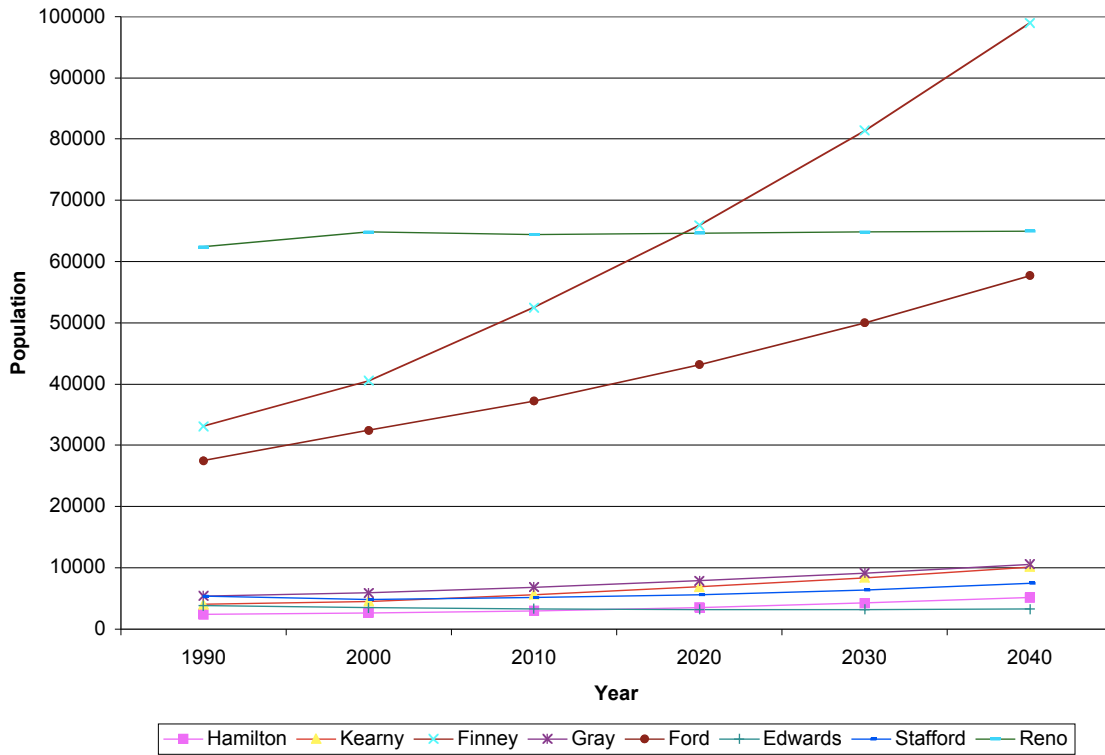


Chart 4-3a Projected County Population With Highway Spillover Effects

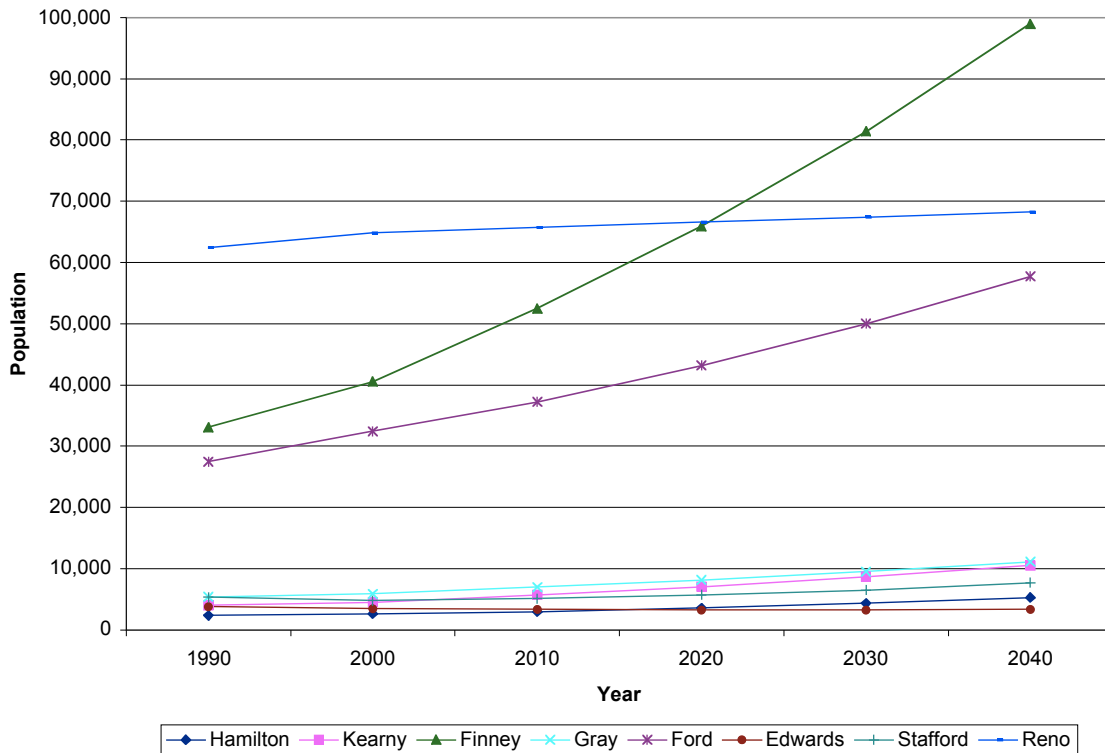
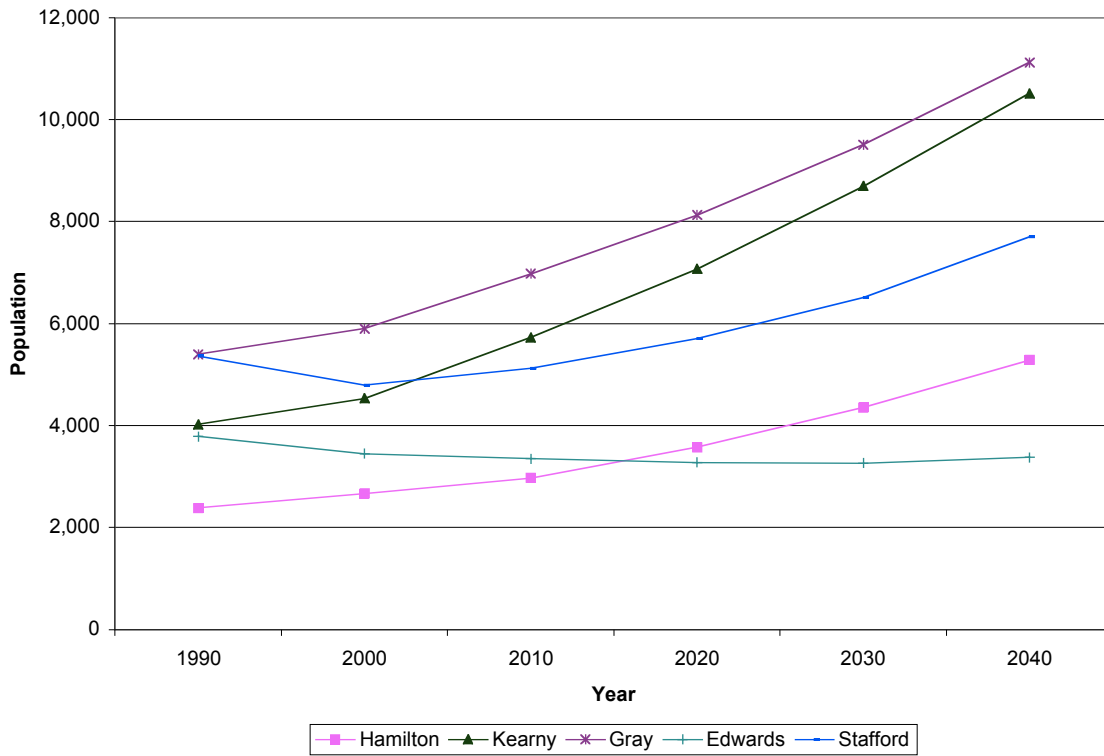


Chart 4-3b Projected Population Five Smaller Counties

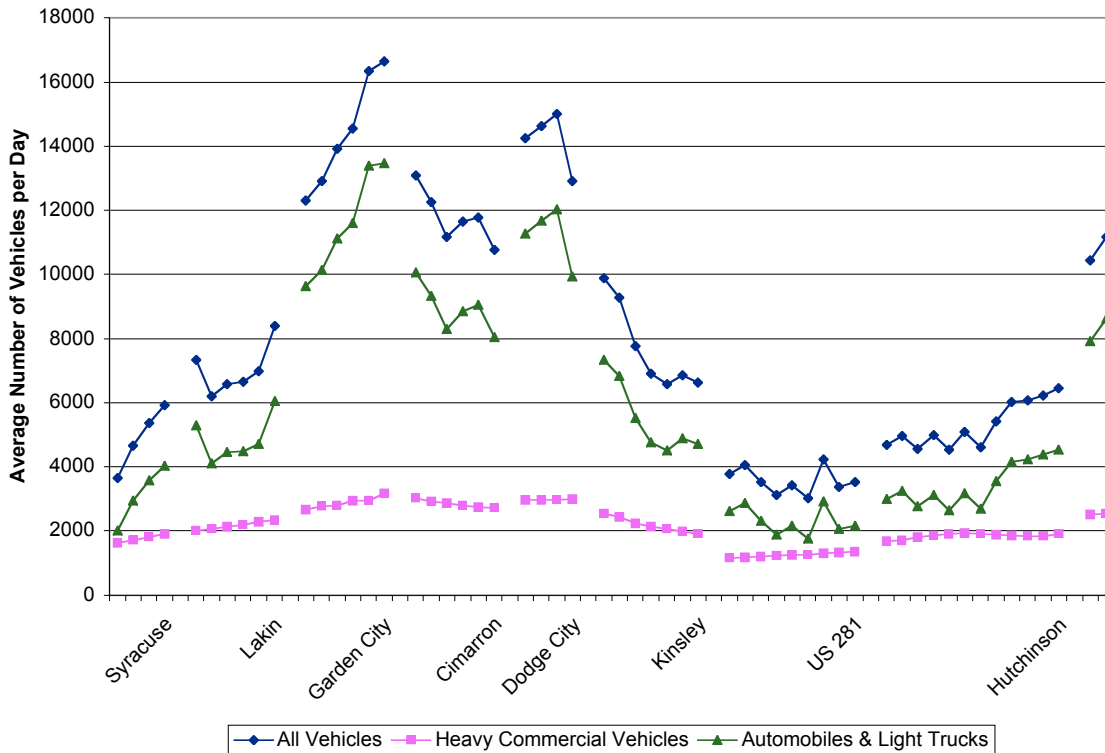


We anticipate that the improved highway will lead some individuals to move into the smaller communities along the highway and beyond the three larger counties.²² The projected increase in population will generate additional economic activity that will increase the demand for highway transportation. The major connecting highway for this growing region is US 50. The capacity of the existing US 50 infrastructure will be seriously overtaxed by 2030. Given the projected levels of population growth, particularly the high levels of growth in counties that are already experiencing relatively high volumes of traffic (see Chart 4-1), maximum capacities are likely to be reached with the negative consequence that population and economic growth may be inhibited. Chart 4-4 shows the higher levels of traffic volume that are likely to occur given the

²² This pattern of concentric rings of development is common around population concentrations. As one goes away from the center land use patterns change and densities diminish.

increases in projected population with spillover effects and the improvement of US 50.²³

Chart 4-4 Projected 2030 Traffic Counts on US 50



For some types of businesses the physical location is not crucial. However, for many retail businesses location is one of the more important decisions. The long run economic growth that is likely to occur at the interchanges near towns along US 50 will be focused in the lodging, restaurant, and convenience store sectors because an interchange location is preferable.²⁴ Although tourism related businesses may also locate near these interchanges, there is too much variation among such businesses to accurately forecast their development.²⁵ It is also

²³ These projections incorporate both traffic projections and population projections. Specifics for how these projections were calculated are located in Appendix Six.

²⁴ Other researchers (e.g. Moon, Hartgen and Kim, and Burrell) have found that these are the dominant sectors at interchanges, particularly on rural highways.

²⁵ An example of the difficulties in predicting location of tourist related businesses is the individual who wants to open “The Dodge City Emporium” to cater to the tourist trade. Whether this person chooses to locate near Front Street or near an interchange will depend on estimates of customer

highly likely that transportation dependent businesses, such as warehousing and distribution, will locate close to, but not necessarily on, the improved US 50. Based on observations from other regions these types of transportation dependent businesses are most likely to locate in one of the three larger communities. Finally, existing businesses of all types are likely to grow as the population increases.

A profile for each of the sectors (lodging, convenience stores, and restaurants) is presented. This is followed by a summary of the potential economic development in that sector. Then for each of the designated communities in the study area we provide a map indicating the general location in which the various types and amounts of economic development are likely to occur. The specific location of a business is dependent on numerous factors, including the willingness of the current owner to sell or lease the land and the community to extend infrastructure to the site. Thus, these are only images of projected economic activity. These image do not reflect the plans of any entity that we know of to develop a business on US 50.

Lodging

Based on industry statistics from the American Hotel and Lodging Association, existing properties in the study area, and properties from comparative communities (Appendix Four) the following profiles (Tables 4-19 and 4-20) were developed.

demand and costs of operation. Even if the Front Street location is chosen, the improved US 50 and the tourists that it brings were a factor in starting the business.

Table 4-19 Existing Lodging

	Study Area	US 50
Average Number of Employees	21	7
Average Wages	\$11,256	\$8,716
Number of Firms	38	7

Table 4-20 Potential Lodging

	Number of Rooms	Occupancy	Rate	Employees
Larger Towns	45	60%	\$65.00	40
Smaller Towns	30	50%	\$50.00	12

Based on the comparable communities the number of projected new motels in the three largest towns (Hutchinson, Dodge City, and Garden City) is two per community. The direct economic impact of these six motels per year assuming that the profile in Table 4-20 is typical is \$3,843,450. The total wages paid per year to the 240 employees associated with these six properties is \$2,091,840 assuming the lower wage rate in Table 4-19. The RIMS II earnings multiplier for motels is 0.9. Thus, the indirect and induced economic impact from these six motels is \$3,459,105. And, the total annual economic impact is \$7,302,555. The RIMS II employment multiplier for motels is 0.4. Therefore, an additional 96 people will be employed as a result of these six new motels.

Whether additional lodging is constructed near the interchanges in any of the smaller communities is more difficult to determine. The primary determinants are the local attitudes toward this type of development. In any case it is unlikely that more than two towns will successfully attract a new motel. In the event that two of the smaller communities do, in fact, attract new motels, the total additional economic impact as a result of this potential development is \$1,040,250. The direct economic impact of these two additional motels is \$547,500. The indirect and induced impacts from the multiplier effect equal \$492,750. In addition to the

24 needed to work in the motels, 9 additional jobs will be generated through the multiplier process.

Table 4-21 Summary of Potential Lodging Economic Impact

	Direct	Multiplier	Total	Direct Jobs	Total Jobs
Hutchinson	\$1,281,150	\$1,153,035	\$2,434,185	80	112
Dodge City	\$1,281,150	\$1,153,035	\$2,434,185	80	112
Garden City	\$1,281,150	\$1,153,035	\$2,434,185	80	112
Town One	\$273,750	\$246,375	\$520,125	12	17
Town Two	\$273,750	\$246,375	\$520,125	12	16
Study Area	\$4,390,950	\$3,951,855	\$8,342,805	264	354

Convenience Stores

Based on industry statistics from the National Association of Convenience Stores, existing businesses in the study area, and businesses from comparative communities (Appendix Four) the following profiles (Tables 4-22 and 4-23) were developed.

Table 4-22 Existing Convenience Stores

	Kansas	Study Area	US 50
Average Number of Employees	10.8	8.5	7
Wages	\$13,931	\$16,308	\$10,700
Number	1,177	110	22

Table 4-23 Potential Convenience Stores

	Sales	Operating Income	Employees	Wages
Larger Towns	\$1,970,000	\$79,700	11	\$154,000
Smaller Towns	\$1,379,000	\$55,160	9	\$109,800

Convenience stores will be more widely distributed than motels. In the larger communities almost every interchange will have at least one convenience store. In the smaller communities there will be one or two convenience stores. Because the bypasses are already in place for the larger communities the construction of some of these convenience stores will probably occur before US 50 is fully upgraded. There is not a specific RIMS II multiplier for convenience stores. Therefore we used RIMS II earnings multiplier for retail trade (0.7). The RIMS II employment multiplier for retail trade is 0.5.

Table 4-24 Summary of Potential Convenience Stores Economic Impact

	Direct	Multiplier	Total	Direct Jobs	Total Jobs
Hutchinson	\$5,910,000	\$4,137,000	\$10,047,000	33	49.5
Dodge City	\$9,850,000	\$6,895,000	\$16,745,000	55	82.5
Garden City	\$7,880,000	\$5,516,000	\$13,396,000	44	66
Stafford	\$2,758,000	\$1,930,600	\$4,688,600	18	27
Kinsley	\$2,758,000	\$1,930,600	\$4,688,600	18	27
Cimarron	\$1,379,000	\$965,300	\$2,344,300	9	13.5
Lakin	\$1,379,000	\$965,300	\$2,344,300	9	13.5
Syracuse	\$2,758,000	\$1,930,600	\$4,688,600	18	27
Study Area	\$34,672,000	\$24,270,400	\$58,942,400	204	306

Table 4-24 shows that for the eight county study area the total economic impact from new convenience stores is \$58,942,400 and that the total number of new jobs is 306. These economic impacts will have a positive impact on every county in the study area.

Restaurants

Based on industry statistics from the National Restaurant Association, the Kansas Restaurant Association, existing businesses in the study area, and

businesses from comparative communities (Appendix Four) the following profiles (Tables 4-25 and 4-26) were developed.

Table 4-25 Existing Restaurants

	Study Area	US 50
Average Number of Employees	15	11
Wages	\$8,980	\$7,804
Number	262	37

Table 4-26 Potential Restaurants

	Sales	Operating Income	Employees	Wages
Table Service	\$540,900	\$18,030	13	\$116,740
Quick Service	\$499,500	\$16,650	11	\$92,444

Restaurants, particularly quick service restaurants, often locate near convenience stores. The more traditional restaurant that is primarily aimed at the table service customer is generally located in a larger community. Although one of the smaller communities may recruit a traditional restaurant, we did not find support for this in the comparison communities. There are not specific RIMS II multipliers for restaurants so we again use the more general retail trade multipliers²⁶. The RIMS II earnings multiplier for retail trade is 0.7. The RIMS II employment multiplier for retail trade is 0.5.

²⁶ The National Restaurant Association suggests that the earnings multiplier for restaurants is greater than one. However, we were unable to independently confirm this estimate.

Table 4-27 Summary of Potential Restaurant Economic Impact

	Direct	Multiplier	Total	Direct Jobs	Total Jobs
Hutchinson	\$1,040,400	\$728,280	\$1,768,680	24	36
Dodge City	\$1,040,400	\$728,280	\$1,768,680	24	36
Garden City	\$1,040,400	\$728,280	\$1,768,680	24	36
Kinsley	\$499,500	\$349,650	\$849,150	11	16.5
Cimarron	\$499,500	\$349,650	\$849,150	11	16.5
Lakin	\$499,500	\$349,650	\$849,150	11	16.5
Study Area	\$4,619,700	\$3,233,790	\$7,853,490	105	157.5

Table 4-27 shows that for the eight county study area the total economic impact from potential new restaurants is \$7,853,490 and that the total number of new jobs is 157.5. These economic impacts are concentrated in the larger communities along US 50.