

MEMORANDUM

TO: Highway 93 South Plan Steering Committee

FROM: Christine Richman, AICP

RE: Planning area Economic Performance Analysis

DATE: April 18, 2019

Overview and Introduction

Highway 93 South is the main highway entrance and gateway to Whitefish Montana. Visitors arriving from the Kalispell Airport or other areas to the south first experience Whitefish on Highway 93 South. Uses within the planning area are larger format and focused on local residents rather than the City's large tourism base (car dealerships, lumber yards, the community hospital, etc.) The tourist base is served primarily in downtown Whitefish and along the Wisconsin Avenue corridor.

The study area extends from 6th Street in the north to Blanchard Lake Road south of the Highway 40 intersection and City limits. The economic performance of the planning study area is closely related to areas in Kalispell and unincorporated Flathead County providing goods and services to residents throughout the region. As downtown Whitefish continues to respond to tourist demand and the Wisconsin Avenue corridor adds restaurants and resources for visitors, the planning area will experience increasing pressure to provide opportunities for goods and services for local residents.

As part of the planning process, an economic performance analysis was completed. The analysis identifies the current performance and economic position of the planning area within the context of Whitefish and Flathead County. The analysis then evaluates the impact of growth on the demographics and economic performance of the planning area if current trends continue. This analysis forms the basis for discussion and review of options to change zoning in the planning area to capture different types and intensities of development.

Whitefish City is located in Flathead County, Montana near the entrance to Glacier National Park. In addition to its proximity to the National Park, Whitefish is also the town at the base of Whitefish Mountain Resort for winter recreation and on the shore of Whitefish Lake for summer recreation.

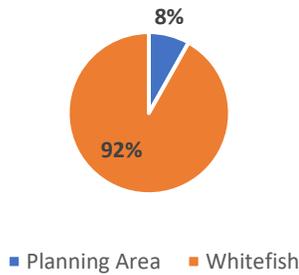
In 2018 Whitefish represented 7 percent of Flathead County's estimated population, down from 8 percent in 2000. By contrast Whitefish represented 11 percent of total employment in Flathead County in 2015 (the latest data available) up from 10 percent in 2002. Within Whitefish, the study corridor has experienced an opposite trend. The study corridor represented 8 percent of total Whitefish population in 2018, up from 6 percent in 2000. Whitefish's primary industries include tourism supportive categories such as retail trade, arts/entertainment/recreation/accommodation/food services (41.7 percent of employment) and educational services/health care/social assistance (26.5 percent of employment).

The study corridor is one of a limited number of areas within Whitefish with areas appropriate for new development or redevelopment. The purpose of this analysis is to gain an understanding of the opportunity along the corridor to guide and support future land use decisions.

Existing Conditions Analysis:*Population & Housing*

Figure 1 compares the current estimated population and housing units within the planning area within Whitefish City.

2018 Est. Population



2018 Est. Housing Units

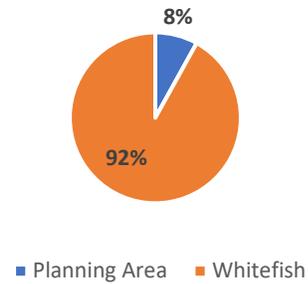
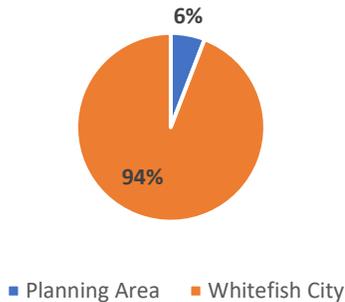


Figure 1 – 2018 Population and Housing Units. Source: 2018 (ESRI)

The planning area currently represents 8 percent of Whitefish’s total population and housing units (586 people and 370 housing units.) This is an increase from the percentage of the population and housing units in the study area in the planning area in 2010. As seen in Figure 2 the planning area has increased in importance in meeting the need for housing in Whitefish.

2010 Population



Whitefish 2010 Housing Units

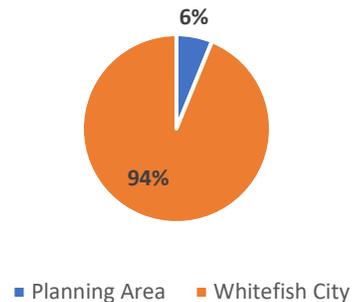


Figure 2 – 2010 Population & Housing: BAO - 2000, 2010 (Census)

The type of housing units located in the planning area is also important to the role of the planning area in Whitefish City’s overall economic health and future growth.

Whitefish City is a tourism center within the Glacier National Park visitation area. Because of the significant number of visitors to the area in both summer and winter, the community includes hotel, motel and camping facilities as well as housing units both in multi-family complexes and as individual units, dedicated to short term rental. The U.S. Census gathers data on vacant housing units, identifying units that are dedicated to seasonal occupation or rental. Figure 3 compares the percentage of total housing units in Whitefish City designated for seasonal use and the percentage of

units within the planning area with the same designation. The data in Figure 3 are for 2010, the most recent year for which data are available.



Figure 3 – Seasonal Units as % of Whole. Source: BAO - 2000, 2010 (Census)

The planning area has a significantly lower percentage of seasonal units than Whitefish as a whole. This reflects the focus of the planning area on local serving development, include the hospital and larger format retail such as a supermarket and lumber yard. The planning area has several lodging facilities including the new TownePlace Suites by Marriott, the Best Western Rocky Mountain Lodge and the Hampton Inn & Suites. The lodging facilities in the planning area serve both the tourist trade and provide lodging associated with the hospital. As seen in Figure 4 the planning area houses 29 percent of the Whitefish market area’s guest rooms. The market area includes lodging outside of City of Whitefish boundaries including Whitefish Mountain Resort.

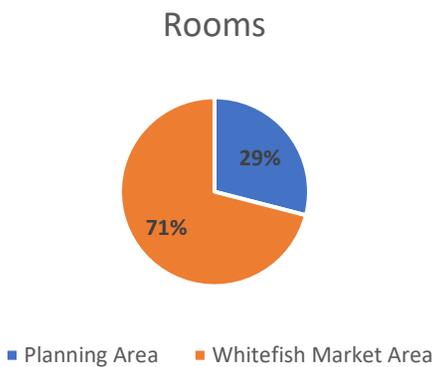


Figure 4 – Lodging Units as % of Whole. Source: Whitefish Visitors Bureau

Employment

Employment in Whitefish is concentrated in the sectors that support tourism. As seen in Table 1 41.7 percent of total jobs are in the Accommodation and Food Services; Arts, Entertainment and Recreation; and Retail Trade sectors. Health Care and Social Assistance and Educational Services represent 26.5 percent of total employment the next largest jobs category represented. For comparison, 33.6 percent of all jobs in Flathead County are in the same tourism related categories, with a majority of those in retail

trade indicating a broader retail base serving the region. Flathead County has a higher percentage of employment in manufacturing, wholesale trade, management of companies and administration and support businesses than Whitefish.

Table 1: Jobs by Industry - Whitefish and Flathead County, Montana - 2015

	Whitefish		Flathead County	
	2015 Count	2015 Share	2015 Count	2015 Share
Agriculture, Forestry, Fishing and Hunting	18	0.4%	169	0.5%
Construction	211	5.0%	3,039	8.4%
Manufacturing	68	1.6%	2,620	7.2%
Wholesale Trade	24	0.6%	1,056	2.9%
Retail Trade	439	10.3%	6,071	16.8%
Transportation and Warehousing	42	1.0%	801	2.2%
Information	8	0.2%	560	1.5%
Finance, Insurance, and Real Estate	359	6.1%	2,650	7.3%
Professional, Scientific, and Technical Services	252	5.9%	1,547	4.3%
Management of Companies and Enterprises	4	0.1%	812	2.2%
Administration & Support, Waste Management and Remediation	70	1.6%	2,692	7.4%
Educational Services	307	7.2%	571	1.6%
Health Care and Social Assistance	821	19.3%	6,200	17.1%
Arts, Entertainment, and Recreation	245	5.8%	1,172	3.2%
Accommodation and Food Services	1,089	25.6%	4,910	13.6%
Other Services (excluding Public Administration)	138	3.2%	1,350	3.7%

Source: ESRI

However, Flathead County's economy is highly reliant on the leisure and hospitality category as seen in Table 2 Private Sector Employment – Flathead County. This third quarter 2018 data indicates that the leisure and hospitality sector in Flathead County has a greater share of the county-wide economy than the leisure and hospitality sector nationwide. Location quotients (LQ) compare the concentration of an industry within a specific area compared to the concentration of the industry nationwide. An LQ greater than 1 indicates an industry with a greater share of the local area employment than is the case nationwide.

Table 2: Private Sector Employment - Flathead County - 2018 (Q3)

Industry	Location Quotient	Avg. Weekly Wage
Construction	1.57	\$919
Education/Health Services	1.08	\$994
Financial Activities	1.04	\$1,038
Information	0.43	\$943
Leisure and Hospitality	1.58	\$401
Manufacturing	0.73	\$996
Natural Resources/Mining	1.20	\$808
Other Services	1.17	\$556

Professional/Business Services	0.62	\$778
Services - Providing	1.03	\$719
Trade, Transportation, Utilities	1.03	\$699

Source: United State Bureau of Labor Statistics, www.bls.gov, Quarterly Census of Employment and Wages

As seen in Table 3, Whitefish total employment increased by an estimated 970 jobs, or almost 30 percent, over the thirteen-year period 2002 to 2015 (the latest year for which data is available.) Thirty-six percent of the growth in employment occurred in tourism related categories including Accommodation and Food Services, Arts, Entertainment and Recreation and Retail Trade.

The study area has not experienced growth in jobs. Although Whitefish has 970 new jobs, only four of those jobs were in the study corridor.

Table 3: Change in Total Employment - Study Corridor, Whitefish City, Flathead County

	2002	2010	2015	AAGR, 2002-2015
Hwy 93 South Corridor	1,203	1,247	1,207	0.0%
Whitefish City	3,280	3,473	4,250	1.6%
Flathead County	32,407	35,573	39,737	1.3%
Study Corridor as % of Whitefish	36.7%	35.9%	28.4%	

Source: ESRI

Tourism

As indicated above, tourism is the largest economic sector in Whitefish. The Whitefish Convention & Visitors Bureau estimates that overnight visitors to Whitefish grew by an average of 5.2 percent annual for the period 2010 through 2017 to almost 678,000 visitors. Table 4 provides the estimated number of overnight and drive through visitors for 2010 and 2017.

Table 4: Whitefish City Nonresident Visitors

	2010	2017	AAGR, 2010- 2017
Stayed at least 1 Night	474,220	677,892	5.2%
Drove Through	854,974	1,074,510	3.3%

Source: Whitefish Convention & Visitors Bureau

Visitor spending is a key component of the overall economy. Table 5 provides estimated visitor spending by major category for visitors to Flathead County.

Table 5: Estimated Nonresident Visitor Spending - Flathead County 2016

Category	Total Expenditures	Avg./ Visitor	% of Total
Auto Rental/Repair	\$14,868,000	\$6.39	3%
Campground	\$8,174,000	\$3.51	2%
Farmers Market	\$1,041,000	\$0.45	0%
Gambling	\$1,144,000	\$0.49	0%

Gas, Diesel	\$39,187,000	\$16.85	8%
Grocery, Snacks	\$57,293,000	\$24.63	11%
Hotel, Motel, B&B	\$56,544,000	\$24.31	11%
License, Fees	\$28,630,000	\$12.31	6%
Made in Montana	\$12,661,000	\$5.44	3%
Outfitter, Guide	\$49,270,000	\$21.18	10%
Rental Cabin	\$25,623,000	\$11.02	5%
Restaurant Bar	\$119,555,000	\$51.40	24%
Retail	\$87,837,000	\$37.77	17%
Service	\$3,228,000	\$1.39	1%
Transportation Fares	\$433,000	\$0.19	0%
Total	\$505,488,000	\$217.33	100%

Source: University of Montana Institute for Tourism & Recreation Research

Table 6 uses average per visitor spending for Flathead County to estimate visitor spending by category for Whitefish visitors. These are estimates based on the best information available at the time of the study. A Whitefish specific visitor spending survey would provide data that reflects the spending habits of Whitefish visitors.

Table 6: Estimated Overnight Visitor Spending -Whitefish City 2017

Category	Total Expenditures	Avg./ Visitor	% of Total
Auto Rental/Repair	\$4,333,422	\$6.39	3%
Campground	\$2,382,391	\$3.51	2%
Farmers Market	\$303,409	\$0.45	0%
Gambling	\$333,430	\$0.49	0%
Gas, Diesel	\$11,421,429	\$16.85	8%
Grocery, Snacks	\$16,698,597	\$24.63	11%
Hotel, Motel, B&B	\$16,480,294	\$24.31	11%
License, Fees	\$8,344,490	\$12.31	6%
Made in Montana	\$3,690,171	\$5.44	3%
Outfitter, Guide	\$14,360,217	\$21.18	10%
Rental Cabin	\$7,468,071	\$11.02	5%
Restaurant Bar	\$34,845,458	\$51.40	24%
Retail	\$25,600,941	\$37.77	17%
Service	\$940,832	\$1.39	1%
Transportation Fares	\$126,202	\$0.19	0%
Total	\$147,329,353	\$217.33	100%

Source: University of Montana Institute for Tourism & Recreation Research

Retail Performance

In addition to visitor spending local and regional residents also eat, shop and participate in activities in Whitefish. Table 7 measures the relationship between supply and demand for retail services in Whitefish. In Table 7 demand includes only average household spending for Whitefish households. Supply is an estimate of retail performance (retail sales) to consumers by type of establishment.

Table 7: Retail Leakage Analysis - 2017

Category	Resident Market Capacity	Estimated Actual	Difference
Motor Vehicle & Parts Dealers	\$20,425,189	\$50,685,056	\$30,259,867
Furniture & Home Furnishings Stores	\$3,006,417	\$3,354,285	\$347,868
Electronics & Appliance Stores	\$2,969,096	\$3,086,754	\$117,658
Bldg Materials, Garden Equip. & Supply Stores	\$6,221,545	\$3,042,905	-\$3,178,640
Gasoline Stations	\$12,721,965	\$17,796,750	\$5,074,785
Retail Stores	\$52,774,504	\$64,021,240	\$11,246,736
Food Services & Drinking Places	\$10,002,109	\$29,842,356	\$19,840,247
Total	\$108,120,825	\$171,829,346	\$63,708,521

Source: ESRI

In this table, a negative number (blue highlighted field) is referred to as “leakage.” Leakage indicates that residents are leaving Whitefish to shop at building materials and garden stores. The new Ace Hardware location within the study area is responding to this opportunity. Within the Retail Store category, the general merchandise stores subcategory is also negative as seen in Table 10. With the closure of the Shopko in the study area general merchandise store leakage is expected to increase. Most categories exceed estimated capacity. This is typical of a tourism-based economy. There are two sources of information to estimate tourist spending capacity. The first is based on the distribution of tourism spending in Flathead County estimated by the University of Montana Institute for Tourism & Recreation Spending applied to Whitefish visitation as seen in Table 6 above. The second is to compare estimated spending patterns to actual resort tax collections on the retail types subject to the tax. Table 8 provides the estimated tourism spending based on Flathead County tourist spending patterns and the estimated 2017 tourism spending based on resort tax collections.

Table 8: Estimated Tourist Spending - 2017 Resort Tax Collections - 2.85 Percent

Category	Estimated Tourism Spending	Actual 2017 Spending	Notes
Motor Vehicle & Parts Dealers	\$4,333,422	\$0	Tax not imposed
Furniture & Home Furnishings Stores	\$0	\$0	Tax not imposed
Electronics & Appliance Stores	\$0	\$0	Tax not imposed
Bldg Materials, Garden Equip. & Supply Stores	\$0	\$0	Tax not imposed
Gasoline Stations	\$11,421,429	\$0	Tax not imposed
Retail Stores	\$46,293,118	\$54,318,667	Based on 2.85% resort tax reported revenue
Food Services & Drinking Places	\$34,845,458	\$51,791,579	Based on 2.85% resort tax reported revenue
Total	\$96,893,428	\$106,110,246	Based on 2.85% resort tax reported revenue

Source: University of Montana Institute for Tourism & Recreation Research, Whitefish City Treasurer

Table 9 combines the estimated resident and visitor spending capacity and compares the total capacity to actual spending. Overall market performance changes to indicate that there is leakage in several more categories.

Table 9: Estimated Retail Leakage with Actual 2017 Resort Tax Spending

Category	Resident/ Tourism Market Capacity	Estimated Actual Spending	Difference
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Motor Vehicle & Parts Dealers	\$24,758,611	\$50,685,056	\$25,926,445
Furniture & Home Furnishings Stores	\$3,006,417	\$3,354,285	\$347,868
Electronics & Appliance Stores	\$2,969,096	\$3,086,754	\$117,658
Bldg Materials, Garden Equip. & Supply Stores	\$6,221,545	\$3,042,905	-\$3,178,640
Gasoline Stations	\$24,143,394	\$17,796,750	-\$6,346,644
Retail Stores	\$99,067,622	\$64,021,240	-\$35,046,382
Food Services & Drinking Places	\$44,847,567	\$51,791,579	\$6,944,012
Total	\$205,014,253	\$193,778,569	-\$11,235,684

Source: ESRI, University of Montana Institute for Tourism & Recreation Research, Whitefish City Treasurer

In addition to the building materials, garden equipment and supply stores category, the gasoline store and overall retail store categories show leakage. Table 10 provides detail to the retail store category.

Table 10: Retail Store Detailed Leakage Analysis Resident + Nonresident Visitor - 2017

Category	Resident + Visitor Market Capacity	Estimated Actual	Difference
Food & Beverage Stores	\$30,954,692	\$23,770,262	-\$7,184,430
Health & Personal Care Stores	\$5,254,961	\$12,756,258	\$7,501,297
Clothing & Clothing Accessories Stores	\$3,905,986	\$6,720,069	\$2,814,083
Sporting Goods, Hobby, Book & Music Stores	\$5,898,315	\$10,596,578	\$4,698,263
General Merchandise Stores	\$19,796,155	\$2,666,360	-\$17,129,795
Misc Store Retailers	\$33,257,513	\$7,511,713	-\$25,745,800
Total	\$99,067,622	\$64,021,240	-\$35,046,382

Source: ESRI, University of Montana Institute for Tourism & Recreation Research

This analysis is based on estimates and assumptions relating to typical household and visitor spending patterns and average store performance. More specific actual spending for non-resort tax retail categories in Whitefish is not currently available. This analysis is an indicator that there is “leakage” in several categories that apply to resident shoppers, particularly in the general merchandise category and food & beverage categories.

Capturing the “leaking” retail spending can occur in any of the areas and retail districts of Whitefish. The location of the stores that may help retain retail dollars within Whitefish is dependent on community policy decisions relating to development patterns.

Prior Planning Activities:

2002 Baker Avenue City Property Development Program

The Baker Avenue City Property Development Program plan, completed In June 2002 by Jobs for Whitefish Taskforce and Tom Hudson Company identified a need to diversify the economy of Whitefish. The focus of the study was the future use of city-owned property on Baker Avenue, a parcel within the SR 93 S study area. The study found that the Baker Avenue property would be best used to fulfill Whitefish City business development goals. The study established the following top priorities for future use of the Baker Avenue property:

- More career-oriented, higher paying jobs
- Supports growth of existing local businesses
- Fits Whitefish character
- Complements existing business

- Supports diversification
 - Complements/exploits existing assets
 - Supports new business recruitment
 - Supports new business growth

The team also established the following secondary business development priorities:

- Provides goods/services to local/regional customers
- Provides goods/services for export out of the region
- Protects the environment
- Ensures business stability
- Provides “career” jobs
- Protects local values
- Provides adequate number of jobs
- Addresses need for public services
- Considers Great Northern Industrial Park
- Provides mixed use, including housing

Overall the business development priorities were intended to build a diversified, healthy economy that enables local citizens to live, work and play in Whitefish year-round.¹

The key finding of the Baker Avenue report was that the Whitefish economy had weakened during the prior two decades as a result of the decline of the railroad industry and the rise of the tourism industry. The basis of the finding was that a lack of diversification in the local economy, whether railroad or tourism is not healthy and that tourism industry wages were inadequate for the cost of living in Whitefish.

As seen in the Employment Data section of the Existing Conditions analysis, tourism continues to dominate the Whitefish economy and wages have not kept pace with the cost of living in Whitefish.

2017 Flathead County, Montana Comprehensive Economic Development Strategy (CEDS)

The Flathead County Comprehensive Economic Development Strategy guides the economic growth of Flathead County including the City of Whitefish. The purpose of the CEDS is to help “. . . create jobs, foster more stable and diversified economies, and improve living conditions.” The CEDS resulted from a planning process that involved broad community participation to identify strengths, threat and opportunities in the region including within Whitefish in particular.

The CEDS identified the following opportunities/issues for Whitefish:

- Increase shoulder season tourism visitation and expenditures to continue building a robust year-round economy.
- Attracting more retirees but not enough young entrepreneurs.
- Housing needs assessment underway to address workforce housing issues.
- Need to coordinate on land use issues with County
- Lack of land zoned for industrial use to attract business.

The CEDS also resulted in five goals:

¹ Baker Avenue City Property Development Program: Phase 2A Report, June 17, 2002, Jobs for Whitefish Taskforce and Tom Hudson Company, Pages 1 – 3.

1. Enhance and expand workforce development and educational opportunities for residents in order to provide a skilled workforce for local businesses and increase regional competitiveness.
2. Expand and diversify the economic base to create higher paying jobs through efforts to promote business start-ups and attract new business to the region.
3. Support the maintenance and enhancement of the physical infrastructure that is needed for sustainable economic growth in Flathead County.
4. Build on the region’s strengths and assets to support, retain and grow existing businesses.
5. Develop and maintain a positive quality of life for citizens and visitors to ensure communities are appealing and healthy places to live, work and recreate and to conduct business.

The 2017 CEDS reinforces the need and strategy identified in the 2002 study to diversify Whitefish’s economy to become less reliant on tourism.

Corridor Development Opportunities

There are several vacant and underutilized parcels in the study corridor. In Figure 5 vacant or underutilized parcels are identified as zoned either rural or urban.

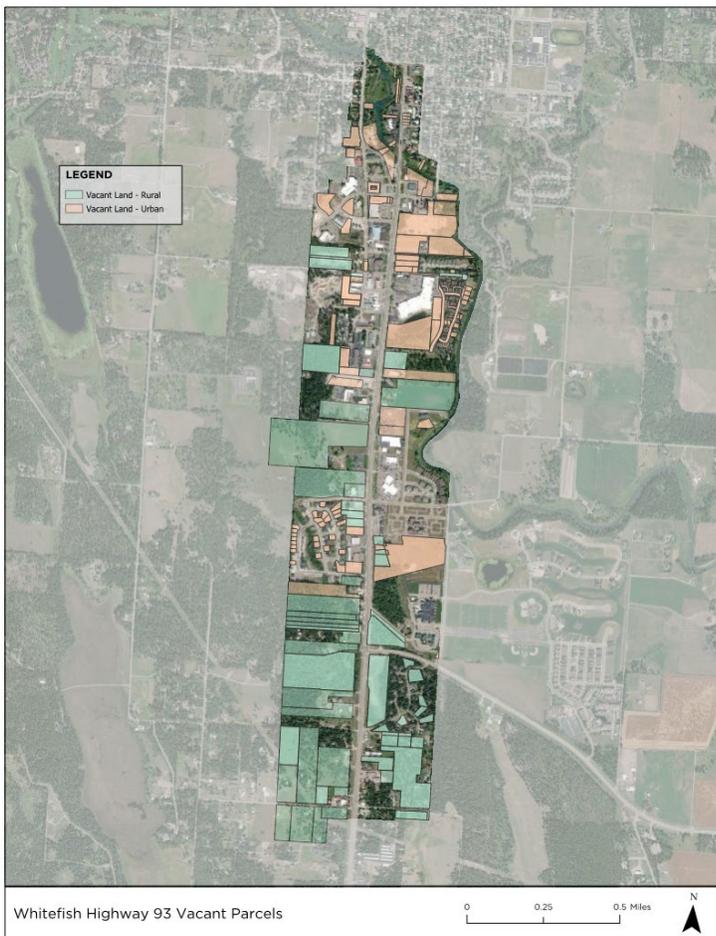


Figure 5 – Study Corridor Vacant/Underdeveloped Parcels - 2018

There is an opportunity to create a “node” of activity at Baker Avenue. The node should support broader community goals relating to employment opportunities to broaden Whitefish’s economic base. The node also acts as a gateway to Whitefish. Street scape and development design elements should reflect the node’s role in Whitefish. A higher level of design also adds overall value to the area and can attract additional private participation.

There are additional opportunities along the corridor, between the nodes that are appropriate for development to implement the City’s recently completed housing plan as well as larger format retail to serve residents and visitors.

Table 11 identifies vacant and underutilized properties along the corridor and potential future development potential.

Table 11: Development Potential

Development Potential	Size (acres)
Northern Node	4.01
Employment	7.26
Housing	39.17
Retail or Retail frontage + Housing	45.65
Open space/river connectivity	1.67
	97.76

There are approximately six acres of developable property in the northern node area and almost 37 acres of developable property in the southern node area. The approximately 57 acres of developable property in the remainder of the corridor should be developed as housing, additional employment and retail uses as consistent with the land use goals and objectives of the plan.

Recommended Economic Development Goals and Objectives

Issues Identified

- Service industry wages and many professional salaries for public service jobs (teachers, police, fire, other government work) do not keep pace with the cost of living in Whitefish, meaning many employees live outside of the City and commute for work
- Many of the retail businesses in Whitefish serve visitors rather than residents; many residents obtain some proportion of their household goods outside of Whitefish
- The economy is dominated by the tourism/visitor sector and could be diversified to improve resiliency when regional and national circumstances change
- Small lease spaces for starter businesses and areas that permit light manufacturing are limited

Goals and Objectives

Goal: Help diversify the economy of Whitefish, increase employment, and encourage business types that provide higher wages and salaries

Objective 1: Develop business incubator (small lease spaces); business assistance center

Objective 2: Consider development incentives – tools to support business development (technical assistance, financial assistance, tax incentives)

Goal: Make it easier for starter businesses and light manufacturing or assembly to operate in the corridor

Objective 1: Permit light manufacturing/assembly in WB-2 district of Segment B with appropriate development standards

Objective 2: Foster development of smaller lease spaces at prices affordable to starter businesses

Goal: Encourage and allow retail and services in the corridor that will support existing and new housing and employment

Objective 1: Permit under-served business types in the corridor that are difficult to serve in the downtown area due to traffic patterns, space needs, parking requirements, and cost of real estate

- Objective 2:** Encourage amenities in the corridor to support employees and residents such as public spaces for gathering and visiting, resident-focused goods and services, and businesses that encourage public gatherings such as coffee shops
- Goal:** Encourage and allow residential development in the corridor to support new and diverse businesses, provide visual relief from commercial facades lining the highway, and increase activity in the corridor
- Objective 1:** Permit multi-family residential and mixed-uses in WB-2 district of Segment B with appropriate development standards