

Mount Washington Resort & Development Economic Impact Analysis

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Overview: Purpose and Methodology

The purpose of this report is to provide an independent assessment of the economic and fiscal impact of the Mount Washington Resort and Development in New Hampshire. The current – 2007/2008 -- economic and fiscal impact is documented and the potential future economic impact is considered for the planned “build-out” and development of the Resort, its facilities and related real estate properties. The geographic areas under detailed consideration are the “local area” defined as Coos County, New Hampshire’s “North Country” (comprising Coos and also Grafton and Carroll Counties) and the state of New Hampshire.

The total properties at the Mount Washington Resort and related facilities and real estate are comprised of over 1,900 acres. On June 22nd 2006 ownership was transferred to two investors. CNL Income Properties acquired 991 acres of land, including The Mount Washington Hotel, The Bretton Arms, The Lodge and Bretton Woods Ski Resort. The other investor, Celebration Associates acquired approximately 922 acres encompassing two Golf Courses, the Golf Clubhouse and Nordic Center, Livery Stables, the Waste Water Treatment Plan, the Water Company, and approximately 500 acres of undeveloped real estate.

The focus of this report is on the current and future economic impact in Coos County and the North Country of the Mt Washington Resort and Development. In the context of a national economic downturn in late 2007 and continuing into 2008 and the extended period of declining employment and economic opportunities in Coos County and New Hampshire’s North Country, the Mt Washington Resort’s planned investments by a new group of owners working with an experienced management team represents a significant economic opportunity for the area. This research is intended to independently assess the Resort and Development’s current economic “footprint” and also the potential economic impact when most of the planned development is completed in 2019.

Ross Gittell, James R Carter Professor at the University of New Hampshire, was contracted by the Mount Washington Resort in the Fall of 2007 to undertake the economic and fiscal impact analysis. Over a six month period, Professor Gittell has engaged in independent research and analysis using documentation and plans provided by senior managers from the Resort and external data sources and information (see details below). Professor Gittell was assisted by a graduate student in economics at UNH, Tim Lord.

The research and report draws on Professor Gittell’s extensive research and experience as: Vice President and Forecast Manager, New England Economic Partnership; New Hampshire Economist, NH Wall Street Bond Rating Agency Presentations for the last four Governors (Governors Merrill, Sheehan, Benson and Lynch); Lead Researcher on: State Economic Development Plan for Governor Sheehan, BIA Economic Report and Economic Impact Studies completed for NH Political Library (with Governor Hugh Gregg) and the University System of New Hampshire (for Chancellor Stephen Reno).

The economic impact study included a comprehensive review and analysis of Mt Washington Resort’s (and associated property) current financial, tax and employment records, as well as operating, strategic and investment plans out to 2019. The research also included interviews with Mt Washington Resort managers and staff and also local and county officials. Interviews with town of Carroll and Coos county

officials, state leaders and Mt Washington management team helped garner useful information and an understanding of different perspectives on the Resort and development plans. In addition to drawing on internal company data from the Resort's records, reports and planning documents, economic and fiscal data were collected and reviewed from various sources including the US Census, state of New Hampshire (including the NH Department of Revenue Administration), town, county and local sources in order to conduct the economic impact and fiscal modeling and statistical analysis. The fiscal analysis included comparisons with other towns and cities in New Hampshire to estimate the potential impact of Mt Washington Resort and Development plans and investment on local expenditures and municipal services.

Many economic and demographic factors needed to be considered in the economic impact estimates. There were significant primary documents and data available from the Resort for the research team to review and use in the analysis. This included detailed data and records on employment, wages, purchases from vendors, taxes paid, tax valuations, visitors to the Resort and its facilities and residents and property owners in Bretton Woods. In the text and in tables throughout the report the detailed data that went into the economic impact modeling and analysis is provided. In addition, as described in the text, some analytical framing and other assumptions were required to make the estimates of the Resort and Development's economic impact.

The economic impact was broadly considered. It includes the direct and in-direct effects on the local, North Country and state economies of Mt Washington Resort and Development employment, wages, purchases, visitors, properties owners and real estate development. In addition, the local fiscal analysis included analysis of the potential impact of Mt Washington Resort and Development investment on local property values and local revenues and expenditures and the New Hampshire state fiscal analysis included the impact of the Resort and Development on state tax revenue.

Summary: Key Findings

The key findings of the analysis can be summarized as following:

- Coos County 2007/08:
 - Current direct economic impact, over \$18.8 million
 - 470 full time equivalent employment (and 750 employed)
 - With multiplier effects accounts for about 3.4 percent of County economy
- Coos County 2019
 - Planned development and investments of \$1.1B from 2007 to 2019
 - Direct economic impact of \$71 million annually
 - With multiplier accounting for about 8.7% of Coos economy
 - 934 full-time equivalent employment (and 1,500 employed)
 - With adjustments for an assumed 3 percent per year inflation rate the real increase in economic impact of the Resort is expected to be more than one and one-half times (or 156%)
- Local Finances:

In 2007 Mt Washington Resort and Bretton Woods properties accounted for 60% of Town of Carroll local property tax revenue, over \$2.7M in local property tax revenue

 - Mt Washington Resort and Development planned investment and development is estimated to add \$16.6M new revenue (in 2019 \$'s) to the total local property tax revenue (of \$5.1M in 2007) by 2019. This includes town, local education, County, and state education taxes. With expenses estimated to go up with the population and visitor growth to \$7.2M, if current tax rates are held constant a surplus of \$11.6M is expected, or potential to reduce tax rates just under 50% (48.7%)
 - It is estimated that the Mt Washington Resort and Development will add \$4.4M (2019 \$'s) to town property tax revenue in Carroll, from the 2007 base of \$1.3M. Local expenses with population growth and visitor growth are estimated to go up about \$2M resulting in local town estimated town tax surplus of \$3M (2019 \$'s), or potential to reduce tax rates by over 40% (47%)

State of New Hampshire Fiscal Impact on State Tax Revenue

2007

- \$2M in Rooms and Meals Tax
- \$407,387 State Education Tax

- \$154,000 Business Enterprise and Profits Tax

- \$80,000 NH Real Estate Transfer Tax

2019

- \$5.9M in Rooms and Meals Taxes

- \$2.6M in State Education Tax (if continued)

- \$1.5M in Real Estate Transfer Tax (with assumed 10% annual property turnover)

- \$460,000 in Business Enterprise Tax + Business Profits Tax

Current Impact to Coos County

In 2007 the Mount Washington Resort contributed \$18.8 million directly to the local Coos County economy. Employment totaled 470 Full Time Equivalent *jobs* (FTEs) in the County, with about 750 workers employed in different seasons. About 100 FTEs, or one-fifth of employment, is in resort administration. Three 3/4ths, about 350 FTEs, of current employment is in resort operations -- including servers, housekeepers, chefs and guest services. The remaining employment is mostly in the Club and Development.

The economic impact of the Resort in the County includes wages paid to local employees, purchases from local vendors, spending by visitors in the County but outside the Resort, and payments of local property taxes and fees. These all added directly to the Coos County economy.

All together, the Resort, its facilities and Bretton Woods directly accounted for 1.8% of the Coos County approximately \$1B overall economy in 2007.¹ As documented below, the estimated impact does not include the economic impacts from current construction projects at the Resort and properties, which are deemed for purposes of this analysis not part of “regular” Resort contributions to the economy.

Using a 1.9 estimated multiplier for Resorts in New Hampshire from the *U.S. Bureau of Economic Analysis (BEA), Multipliers for NH Hotel and “Other Lodging Places,” Regional Input-Output Modeling System (RIMS II)*, the Resort’s total direct and in-direct impact on the Coos County economy is about \$34 million, accounting for about 3.4% of the County’s 2007 economy. The 1.9 multiplier takes into account the *multiplier* expenditures in the local economy that result from the Resort’s operations and facilities. This includes *multiplier* spending and expenditures by vendors to the Resort and by local businesses with sales to Resort employees and visitors to the Resort in the local economy, thus called “the multiplier effect.” The estimates are that for every \$1 direct impact from the Resort’s and Developments expenditures and wages and Resort related visitor spending in the local economy, an additional (multiplier) impact of \$.90 is generated in the local economy and thus a total multiplier impact of 1.9.

Of the \$18.8 million total direct economic impact (not considering the multiplier effects) about one-half is from visitors to the area. As detailed in the table below and described later in the text, the second largest category of economic impact is wages paid to employees who reside in the County followed by property taxes and purchases with businesses/vendors in the county.

¹ The \$1B estimate for the total Coos County economy is from New Hampshire Employment Security, Economic and Labor Market Information Bureau, 2007.

Coos County		
	2007	
Economic Impact	Value	Percent of Total
Visitor Spending	\$9,235,950	49.2%
Wages, 46% of total	\$4,416,000	23.5%
Local Property Taxes	\$2,756,613	14.7%
Vendor Purchases	\$2,337,280	12.4%
Permitting Fees	\$35,931	
Resort Contributions	\$45,000	
Total	\$18,826,774	

The local economy benefits strongly from visitors attracted to the Resort’s ski area, hotel, mountain attractions and properties. The estimated visitor impact is \$9.2 million. The economic impact is from visitor spending within the County that is outside the Resort’s facilities and properties. The Resort attracted over 371,000 “visitor days” in 2007, see detailed table below. About half of the visitors (187,372) are to the ski area. Approximately one-third are to the hotel (111,872) and about one-ninth (49,400) are property owners at Bretton Woods. It was assumed that the average visitor spent \$50 a day outside the Resort’s properties. This is a conservative estimate for visitor spending, as the discussion below indicates.

For purposes of the analysis, Bretton Woods property owners were treated as “visitors.” Based on the records of the Resort it was estimated that 5 percent of Bretton Wood 380 property owners reside in their Bretton Wood property full-time and are “in residence” 95 percent of the time, while the remaining 95 percent are in their home 10 percent of the time. In addition, to the Bretton Wood property owners the other visitor days were garnered from Resort records of guests at the hotel, skiers, golfers and visitors to the Summer Mountain in 2007.

Consistent with research by Plymouth State University and provided to the state of New Hampshire Department of Resource and Economic Development, it was assumed that visitors spend outside the Resort on average \$50 a day in 2007 \$. The Plymouth State research indicates that the average visitor to New Hampshire spends about \$100 a day (Goss, 2007). That figure was reduced in half to \$50 per day per visitor to account for the significant visitor spending at the Resort (which is accounted for already in the Resort figures and economic impact). However, we believe that this figure is conservative. The average visitor to the Resort has higher family income and comes from further away than the average New Hampshire tourist/visitor, see more details below. The outside the Resort spending by visitors, for example, would be skiers and golfers spending on meals and lodging outside the Resort and its properties and also on retail purchases, food and gasoline by Bretton Woods property owners and visitors to the hotel, ski and golf facilities.

In the impact analysis, it was assumed that New Hampshire visitor spending outside of Mount Washington Resort was 1/2 in Coos County and 2/3 in the North Country and 1/3 elsewhere in the state (for example, in Hillsborough County while driving to or from the Resort). Currently over 80% of Resort lodging guests are from outside New Hampshire, about 3/4ths from outside Northern New England, and about 1/3 from outside Northeast. Massachusetts accounts for the largest number of visitors to the hotel.

**Home State of MW Hotel Guests %'s of Total & Ave Revenue
Per Guest Stay by Home State**

Area	Percent of Guest Tiles	Revenue Per Guest
New Hampshire	19%	\$586
Massachusetts	29%	\$961
Maine	5%	\$698
Vermont	3%	\$465
CT + NY + PA	13%	\$755
All Other Locations	32%	\$651

About one-quarter, or well over \$4 million (\$4.4 million), of the Resort's economic impact is from wages paid to employees who reside in the County. Just under one-half (46%) of all employees of the Resort reside in the County and the large majority of their wages go into the local economy as currently the national savings rate on income is estimated to be below zero and the majority of households are spending their full earnings. About four-fifths of all Resort employees reside in the North Country and 82% reside in New Hampshire (with only 18% out-of-state). Approximately one-quarter (187 of 750 employed in 2007) of all employees over the course of a year are foreign guest workers, H2B's and J1's. These workers are in seasonal employment mostly in housekeeping, lift operator and ski area food and beverage services. There are workers from 15 different countries from around the world with the largest numbers from Peru, Jamaica, Brazil and Argentina.

In this analysis only the wages of employees who reside in the County during their employment are included in the economic impact on Coos County. Employees who reside in the County have expenditures outside the County, but there are also expenditures by employees living outside the County that take place in Coos County. This will more than offset the wage earnings spent outside the County by employees who live in the County. The methodology used --of only including the wages of those who reside in the County -- is a conservative approach and is more likely to underestimate than overestimate the local economic impact of wages paid, see more discussion in the Summary section of the report below.

Of the total economic impact \$2.3 million emanates from the Resort's purchases from 29 vendors in Coos County, see detailed list below. About 8 percent, see table below, of the Resort's total of \$28.1M in 2007 purchases were from vendors in the County. Thirty percent in total of Resort purchases are in the state with 58 percent of that in the three County North Country area and 28 percent in Coos County.

The top vendor for the Resort in Coos County is Caron Building Center in Berlin at over \$600,000. There are five other local business with over \$189,000 in 2007 purchases from the Resort, including Munces Superior in Gorham, Bretton Woods Telephone Company, Timothy Challinor Plumbing & Heating in Whitefield, North Country Concrete in Jefferson and Louis Memolo (Construction) in Gorham.

Area	Percent of Total	Percent of NH	Purchases	Number
Coos County	8.3%	27.9%	\$2,351,384	29
3-County Area	17.5%	58.4%	\$4,920,446	79
New Hampshire	29.9%	-	\$8,427,154	128
Total	-	-	\$28,161,541	

Coos County

Rank	Entity	Vendor	Purchases	City
1	MWH	Caron Building Center, Inc	\$610,253	Berlin
2	Resort/Club	Munces Superior	\$294,945	Gorham
3	Resort/Club	BW Telephone Company	\$260,727	Bretton Woods
4	MWH	Timothy Challinor Plumbing & Heating	\$247,738	Whitefield
5	MWH	North Country Concrete	\$190,250	Jefferson
6	MWH	Louis Memolo/labor & materials	\$189,358	Gorham
7	MWH	Perras Ace, Inc	\$79,076	Lancaster
8	Resort/Club	Catalano's Main St. Pizzeria	\$64,049	Bretton Woods
9	Resort/Club	North Country Ford	\$59,791	Lancaster
10	Resort/Club	White Mt Distributors	\$58,070	Berlin
11	Resort/Club	Mt Washington Railway Co	\$56,968	Mount Washington
12	Resort/Club	Smith & Town Printers	\$31,632	Berlin
13	Resort/Club	Norris Davis Electric, Inc	\$29,636	Whitefield
14	Resort/Club	Sherwin-Williams	\$25,141	Berlin
15	MWH	Isaacson Structural Steel Inc.	\$21,320	Berlin

The other major economic contributions of the Resort to the local economy are from property tax payments. The Mount Washington Resort and 380 home properties paid \$2.8 million in local property taxes (town tax, local education tax and county tax) to the County and local School systems in 2007. The Mount Washington Resort and Bretton Woods Properties in 2007 accounted for 60 percent of the Town of Carroll's property tax base and revenue. The Resort and Bretton Woods area paid \$716,000 and \$2.4 million respectively in Carroll property taxes. This included state-wide property taxes of \$407,000 which were removed from the Coos County economic impact calculations. In addition, the Resort paid an addition \$48,000 to the town of Bethlehem. The Resort also contributed \$36,000 of local permitting fees from new development to the town of Carroll.

The Resort also made donations (2006) to the local community totaling \$37,000. There are plans to establish the Mount Washington Foundation and donations are expected to increase in the future, see more details below.

Beyond Coos County: The Resort’s Larger Economic Footprint

In the North Country --including Coos and also neighboring Grafton and Carroll Counties -- the Mount Washington Resort and Development in 2007 contributed \$27.7 million to the economy. Similar to the economic impact in Coos County, the largest contributions are with visitor spending, wages paid to employees who live in the North Country, vendor purchases and taxes payments, see details below. Visitors were estimated to spend approximately \$12.4 million (in the North Country and outside the Resort and its facilities) as a result of their visits to the Resort, residents of the North Country earned \$7.6 million from employment at the Resort and just under \$5 million in purchases were made to 80 vendors in the North Country.

North Country		
	2007	
Economic Impact	Value	Percent of Total
Visitor Spending	\$12,376,173	44.7%
Wages, 79% of total	\$7,584,000	27.4%
Vendor Purchases	\$4,928,000	17.8%
Local Property Taxes	\$2,756,613	10.0%
Permitting Fees	\$35,931	0.1%
Resort Contributions	-	-
Total	\$27,680,717	

The largest vendor supplier outside Coos in North Country was Horizons Engineering of Littleton with sales to the Resort of \$573,243 in 2007. There were purchases of over \$100,000 during 2007 at 14 different businesses in the North Country. These purchases contributed significantly to the area economy and employment.

North Country (Coos, Carroll, Grafton)				
Rank	Entity	Vendor	Purchases	City
1	MWH	Caron Building Center, Inc	\$610,253	Berlin
2	BWLand/Club	Horizons Engineering, PLLC	\$573,243	Littleton
3	MWH	Robert Hanson Excavating, Inc.	\$299,055	North Conway
4	Resort/Club	Munces Superior	\$294,945	Gorham
5	Resort/Club	BW Telephone Company	\$260,727	Bretton Woods
6	MWH	Timothy Challinor Plumbing & Heating	\$247,738	Whitefield
7	MWH	North Country Concrete	\$190,250	Jefferson
8	MWH	Louis Memolo/labor & materials	\$189,358	Gorham
9	Resort/Club	Tuite Painting Company	\$180,774	Littleton
10	Resort/Club	Franconia Gas	\$165,142	Littleton
11	MWH	J A Corey Electric & Telephone	\$155,813	Littleton
12	Resort/Club	North Country Wholesale	\$136,987	North Conway

13	Resort/Club	Pam Alberts	\$132,727	Lisbon
14	MWH	Brooks Drywall	\$111,610	Littleton
15	MWH	Perras Ace, Inc	\$79,076	Lancaster

At the state level, the Resort directly contributed \$40.2 million to the economy. Similar to the economic impact in Coos County and North Country, the largest economic contributions to the state are with visitor spending, wages paid to employees who live in New Hampshire, vendor purchases and taxes payments, see below. Visitor to the Resort and related properties spending contributed \$18.5M to the state economy, accounting for just under one-half of the total economic impact (46 percent).

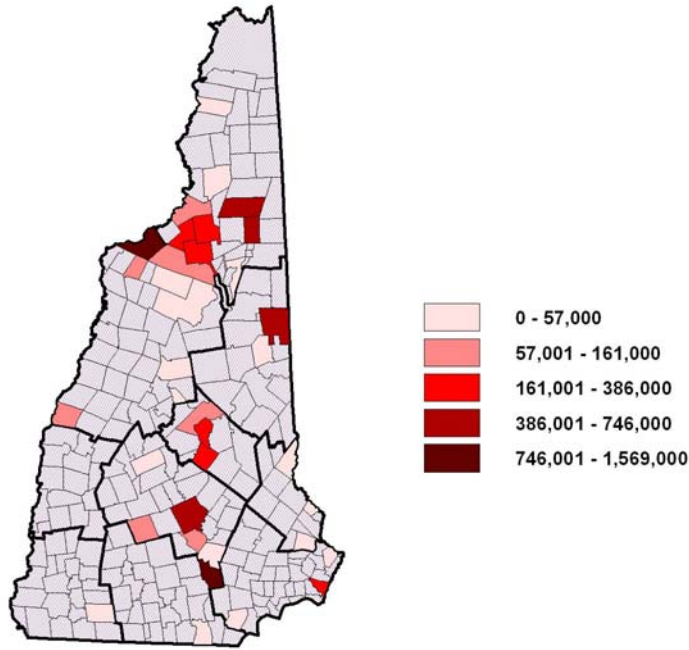
New Hampshire		
	2007	
Economic Impact	Value	Percent of Total
Visitor Spending	\$18,471,900	46.4%
Vendor Purchases	\$8,419,840	21.1%
Wages	\$7,872,000	19.8%
Local Property Taxes	\$2,454,039	6.2%
Rooms and Meals Tax	\$1,980,000	5.0%
State Education Tax	\$407,387	0.9%
Business Enterprise and Profit Taxes	\$154,000	0.4%
Real Estate Transfer Tax	\$80,000	0.2%
Permitting Fees	\$35,931	0.1%
Resort Contributions	-	-
Total	\$40,175,771	

Purchases were made from 128 in-state vendors resulting in sales of greater than \$8 million. The largest in-state purchases by the Resort were with Public Service Company of New Hampshire at over \$900,000 in 2007 for electricity for the hotel and facilities including snow making. There were purchases made across the state as detailed in the table below and depicted in the map.

New Hampshire				
Rank	Entity	Vendor	Purchases	City
1	Resort/Club	Public Service Co of NH	\$905,861	Manchester
2	MWH	Caron Building Center, Inc	\$610,253	Berlin
3	BWLand/Club	Horizons Engineering, PLLC	\$573,243	Littleton
4	Resort/Club	Pike Industries, Inc	\$385,670	Belmont
5	Resort/Club	NH Liquor Commission	\$349,361	Concord
6	MWH	Robert Hanson Excavating, Inc.	\$299,055	North Conway
7	Resort/Club	Munces Superior	\$294,945	Gorham
8	Resort/Club	BW Telephone Company	\$260,727	Bretton Woods
9	MWH	Timothy Challinor Plumbing & Heating	\$247,738	Whitefield
10	Resort/Club	Mellonhead Media	\$246,544	North Hampton
11	Resort/Club	Central Paper Products	\$215,284	Manchester
12	MWH	North Country Concrete	\$190,250	Jefferson

13	MWH	Louis Memolo/labor & materials	\$189,358	Gorham
14	Resort/Club	Tuite Painting Company	\$180,774	Littleton
15	Resort/Club	Franconia Gas	\$165,142	Littleton

MT Wasington Resort Vendor Contracts in New Hampshire 2007



The Resort also contributed significantly to the state’s tax revenue with \$2 million in Rooms and Meals Taxes, \$407,387 from State Education tax payments in Carroll and Bethlehem, \$154,000 in Business Enterprise and Profits Taxes, and \$80,000 in Real Estate Transfer Taxes.

Development Plans for the Resort and Related Properties

Over \$1.097 billion of capital investment is planned for the Mt Washington Resort and related real estate properties from 2007 to 2019. The most significant investment (over \$1B) and increased valuation and property tax payments will be with the residential real estate properties development, see detailed fiscal analysis in separate section below. There are plans to add 938 new residential properties to the Bretton Woods area, including single-family homes, condominiums, townhouses, and villas.

In the Resort itself, there has already been significant investment and development, including renovations of the Great Hall and the main dining room which have been completed. On the grounds of the resort, the Donald Ross Gold Course is in the process of restoration and the construction of the Tennis Center is underway. The projected completion of the Spa and Meeting Space is November 2008. The plans are to complete the outdoor pool and landscape by the Summer. At the Bretton Woods ski

center there is planned development beginning in 2010 for the construction of a Village. Current base case plans are that when the Village is completed it will be roughly 30,000 square feet of retail and dining attracting over 35,000 visitors a year and adding over 40 full time equivalent jobs. There are discussions (but not in the plans or economic impact analysis) for a larger Village development with larger economic impact. This includes the possible development of an Orvis Company destination-retail site. There are also plans evolving for a Mount Washington Observatory/Weather Station visitor site at the Village. Additionally, evaluations are underway of healthcare and education initiatives and re-establishing the White Mountain School of Art.

With the new investment and development according to the planning documents provided by the Resort visitor days are expected to increase to just under 750,000 a year and FTE employment to 934, see details in tables below. The biggest increases in numbers of visitors and employment will be for the Hotel and related Spa, Tennis and other facilities. The biggest percentage increases will be in visits to Golf and employment at the Club.

Visitor Days

	<u>2007</u>	<u>2019</u>	<u>chg</u>	<u>chg pct</u>
Skier	187,372	264,276	76,904	41.0%
Hotel	111,972	223,434	111,462	99.5%
Golf	9,000	40,123	31,123	345.8%
Summer Mountain	11,694	16,673	4,979	42.6%
Village	-	34,010	34,010	-
Property Owners	49,400	168,780	119,380	241.7%
Total	369,438	747,296	377,858	102.3%

Employment is expected to double from 471 full time equivalent employment to 934. Over the course of a full year expectations are that approximately 1,500 workers will be employed in the different seasons. The large percentage, about 2/3rds, of employment and employment growth will be in Resort Operations in a diverse range of positions (see listing below). There will be significant growth in employment at the Club with the new Spa and in Resort Operations. And there will be over 40 full time equivalent positions created at the Village.

Employment		<u>2007</u>	<u>2019</u>
<i>FTE</i>	Club	14	66
	Development	5	15
	Brokerage	1	33
	Resort Ops	352	642
	Resort Admin	99	136
	Village		42
Total FTE		471	934

Job Titles and Profiles: New Jobs to be added 2007 through 2019

Spa

- Director of Spa
- Retail Spa Manager
- Massage Therapists
- Estheticians
- Nail Technicians
- Spa Coordinators/ Reservationists

Golf Maintenance

- Irrigations specialists
- Mechanic
- Spray technicians

Golf Ops

- Counter and front door
- Retail manager
- PGA pro- Director of Golf
- Assistant director(s) of golf

Conference services

- Conference service managers
- Secretaries

Rooms

- Rooms manager
- Housekeepers
- Inspectors

Guest Services

- Concierges
- Bus drivers
- Bellman

Sales Managers/Assistants

Ski

- Lifters
- Guest services

Village

- Management & Sales

2019 Mount Washington Resort & Development Economic Impact with Planned Development

To assess the potential future annual economic impact of the Resort and related properties, the research team relied on detailed investment plans, planning documentation and data spreadsheets provided by the Resort and Investor’s senior management team. A significant portion of the investments to the Resort itself and its related facilities is expected to occur within the next 2 years (by the end of this decade, 2010). The residential real estate development is spread out more evenly and extends out to 2019, see detail below, and that is why the future economic potential is assessed for that year.

Inventory Added (Developed)	<u>2007-2014</u>	<u>2014-2019</u>	<u>Total</u>
Single Family	158	12	170
TH/Villas	75	118	193
Fractionals-1/4's	10	-	10
Fractionals-1/8's	25	-	25
Condominiums	335	205	540
Total Inventory Added	603	335	938

The economic impact of the planned investment and development is significant. By 2019 it is estimated that the annual economic impact of the Resort in the Coos County economy will increase from \$18.8 million (in 2007 \$’s) to \$71 million (in 2019\$’s) or 277 percent. With adjustments for an assumed 3 percent per year inflation rate, the real increase in economic impact of the Resort and related properties is expected to be more than one and one-half times (or 156% in Coos County). By 2019 it is estimated that the Resort will directly account annually for over 4.6% of the economy and taking into account the multiplier effect, 8.7%.² This is assuming that the Coos County economy grows at the rate of inflation. Given the current economic trajectory and outlook this might be an optimistic assumption. If the Coos County economy growth apart from the Mt Washington Resort and Development declines or grows at a rate below inflation, the economic impact of the Mt Washington Resort and Development will approach 10% of the County economy by 2019.

² It is assumed in this estimate that the overall Coos economy will grow at the same the rate of inflation (expected to be 3% per year) from 2007 to 2019.

The biggest percentage increase (over 540%) in Mt Washington Resort and Development’s economic impact will be in local property taxes paid. This reflects that the most significant investment (over \$1B) will be in residential property development. The increased in property taxes and fiscal and municipal services impacts are discussed below in detail in a separate section of the report.

Of the total economic impact of the Resort in 2019 in Coos County, just under four-tenths (39%) will be from visitor spending in the County outside the Resort properties, or an estimate of over \$27.5 million annually.

Coos County			
	2019		2007-2019
Economic Impact	Value	Percent of Total	Percent Change
Visitor Spending	\$27,444,446	38.7%	197.1%
Wages	\$21,100,136	29.8%	377.8%
Local Property Taxes	\$17,781,576	25.1%	545.1%
Vendor Purchases	\$3,416,337	4.8%	46.2%
Foundation Contributions	\$1,000,000	1.4%	-
Permitting Fees	\$99,167	0.1%	176.0%
Total	\$70,841,661		277.2%

By 2019 total annual on-going purchases by the Resort is expected to be \$41.2M. Assuming that 8.3% of that continues to be spent with Coos County vendors the economic impact of local vendors is anticipated to be \$3.4M. The planned investment and expansion of the Hotel and Resort facilities will result in the creation of more than twice as many jobs as in 2007, bringing the employment at the resort to 934 FTEs. The Resort’s wages and benefits will grow to nearly \$46 million in 2019, as the number of full time equivalent employment increases from 471 to 934 and number employed in the different seasons from 750 to approximately 1,500. Assuming that 46 percent of total wages continues to be earned by County residents the local economic impact of wages will be \$21.1 million.

A Mount Washington Foundation is expected to contribution over \$80,000 a year to local causes. This reflects a commitment from the investors and development to take 1% of total property sales minus foundation administrative expenses for direct charitable contributions by the Foundation in the area. This is expected to include contributions in the areas of local art, education and sustainability.

By 2019 the Resort and related properties is expected to contribute just under \$100 million (\$99.1M) annually to the North Country economy. This represents a nominal 258% increase in economic impact from 2007 and a real increase of 148% (after adjusting for annual inflation). Approximately \$37 million of the money added to the North Country economy will be due to visitor spending and a near equal amount will be from wages paid to local residents. As in Coos County the biggest percentage increase will be in property taxes paid because of the investments make in residential real estate.

North Country			
Economic Impact	2019		2007-2019
	Value	Percent of Total	Percent Change
Visitor Spending	\$36,775,557	37.1%	197.1%
Wages	\$36,237,190	36.6%	377.8%
Property Taxes	\$17,781,576	17.9%	545.1%
Vendor Purchases	\$7,203,121	7.3%	46.2%
Foundation Contributions	\$1,000,000	1.0%	-
Permitting Fees	\$99,167	0.1%	176.0%
Total	\$99,096,611		258.0%

The economic impact of the Resort and related properties in the state of New Hampshire is expected to increase to approximately \$133.8 million annually by 2019 (or 236% in nominal terms and 129% in real terms), with about \$55 million of that from additional spending in the state generated by visitors to the Resort and related properties. Assuming that the state tax rates stay the same by 2019 it is estimated that the Resort and related properties will contribute nearly \$6 million annually to State Rooms and Meals Taxes, \$2.6M to State Education Tax, \$1.5 million to Real Estate Transfer Taxes, and \$461,002 to Business Enterprise and Profits Taxes.

New Hampshire Economic Impact	2019		2007-2019
	Value	Percent of Total	Percent Change
Visitor Spending	\$54,888,891	41.0%	197.1%
Wages	\$37,613,286	28.1%	377.8%
Local Property Taxes	\$17,401,108	13.0%	609.1%
Vendor Purchases	\$12,348,207	9.2%	46.7%
Rooms and Meals Tax	\$5,934,887	4.4%	199.7%
State Education Tax	\$2,582,289	1.9%	609.1%
Real Estate Transfer Tax	\$1,500,000	1.1%	1775.0%
Foundation Contributions	\$1,000,000	0.7%	-
Business Enterprise and Profit Taxes	\$461,602	0.3%	199.7%
Permitting Fees	\$99,167	0.1%	176.0%
Total	\$133,829,437		236.0%

The above figures do not include the economic impact of construction activity in Coos County or the surrounding area. The construction during the “build-out” of the Resort and related properties is expected to add 100 construction jobs to the local economy from 2007 to 2019, together with use of

local suppliers, the physical development of the Resort and related property it is estimated to add another \$11M annually to the Coos County economy.

Fiscal Impact Analysis of Mt Washington Resort Planned Investment and Development, 2007-2019

In 2007 Mt Washington Resort and Bretton Woods properties accounted for over \$2.7 million of 5.1 total Town of Carroll tax commitment, or 60% of the total, see table below. This includes town, local education and County expenses. In addition Mt Washington Resort and properties contributed over \$402,655 to state education taxes through the town of Carroll.

Mt Wash Resort and Properties 2007 Carroll Tax Contribution	
Tax	2007
Town, Carroll (3.57)	\$816,749
Local Education (5.18)	\$1,185,087
State Education (1.76)	\$402,655
County, Coos (3.11)	\$711,510
Total (13.62)	\$3,116,000

The Mt Washington Resort and Properties also contributed over \$43,000 to local property taxes in Bethlehem in 2007 and \$4,732 to the state-wide property tax through the town as documented in the table below.

2007 Bethlehem Tax Contribution	
Tax	2007
Town, Bethlehem (5.49)	\$10,916
Local Education (14.93)	\$29,687
State Education (2.38)	\$4,732
County, Grafton (1.34)	\$2,664

Total (24.14)	\$48,000
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With all the investment and increased visitors and revenue at the Hotel and its facilities, the Golf course and Skiing properties the Resort's property valuation is expected to increase significantly to over \$150M (in 2019 \$'s) from \$52 million currently and local property tax payments will increase significantly.

Mt Washington Resort and Development planned investment, as detailed in the table below, is estimated to add \$16.6M new revenue (in 2019 \$'s) to the total local property tax revenue of Carroll. It will also result in increased tax revenue in Bethlehem but the large majority of the increased revenue will be Carroll and thus we focus on the town of Carroll below.

For purposes of this "from the base case" fiscal analysis it was assumed that all the property tax rates remain constant. Using this assumption can provide the most insight to the town tax and tax revenue retained by the town of Carroll. If all the growth and development and increased property valuation were to occur in 2008 the rates on the local education, county tax and state education tax would increase under the current formulas for determining these taxes. However, it is very hard to anticipate 2019 and the future state and local fiscal structure -- particularly with regards to school funding and the distribution of financial responsibility between towns, counties, school districts and the state of New Hampshire-- and thus we use the simplifying assumption that all the tax rates will remain constant.

Using the assumption that tax rates remain at the current level. The \$1 billion of new residential real estate development is largely responsible (80+%) for the increase in local property tax revenue. The construction of the 938 new units will generate \$13.4 million in total local property taxes (including town, county, local education and state education), about \$9,700 per unit in 2007 dollars. The Resort and related facilities are assumed to increase in valuation at the rate of operating revenue growth and adjusted to 2019 dollars. From a \$52.6M base land valuation in 2007, \$17.6M is removed to reflect the use of the land by 2019 for new development. The non-Mount Washington property value in 2007 is inflation adjusted to \$289 million in 2019 and assumed to grow an additional 1.5 percent per year in value, or 21.4% out to 2019. The increase in property value due to Mount Washington Resort and related development is about \$102 million by 2019, providing approximately \$1.4 million of additional local property taxes. The planned 30,000 square foot Village will add another \$189,000 to local property taxes. Also, in Bethlehem a \$1.1 million increase in local property taxes is estimated; Bethlehem has historically had about 5 percent of Mount Washington total property tax.

<u>Carroll Total Property Tax</u>	2007 to 2019
-	Increase
New Real Estate Development	-
Sales Gross Revenue From New Development	\$1,032,409,321
Added to Tax Base From New Dev @ 95% assessment	\$980,788,855
Total Property Tax Increase From New Development	\$13,358,344
<i>Average Local Property Tax on 938 new units in 2007 \$'s</i>	<i>\$9,695</i>
Carroll Other Tax Base 2019 \$, + extra 21.4% 07-19	
Property Valuation	\$101,934,279
Total Increase in Property Tax	\$1,388,345
Resort, Club, Land and Reality ...	
Additional MW Resort Property Valuation from "build-out"	\$154,391,061
Total Increase in Property Tax	\$2,102,806
"Loss" of 2019 Property Taxes from Land Valuation in 2007	\$352,137
Village	
Property Valuation	\$13,901,168
Total Increase in Property Tax	\$189,334
TOTAL	<u>\$16,686,692</u>

In 2007 the town of Carroll's full time resident population was 783. Municipal services demand and expenditures should also take into account current and expected increased numbers of visitors to the area. For 2007, accounting for visitors to the Resort and related properties and including a 50 percent "visitor burden factor" to the number, the resident and "imputed visitor" population in 2007 municipal services is 1,458, resulting in a visitor equivalent population of 2,220 in 2007. For estimates in 2019 a full time resident population growth rate of .5 percent per year was assumed and the growth in visitors

at the Resort taken into account and the total resident and imputed visitor population is estimated to be 3,750 in 2019, or increase 69 percent.

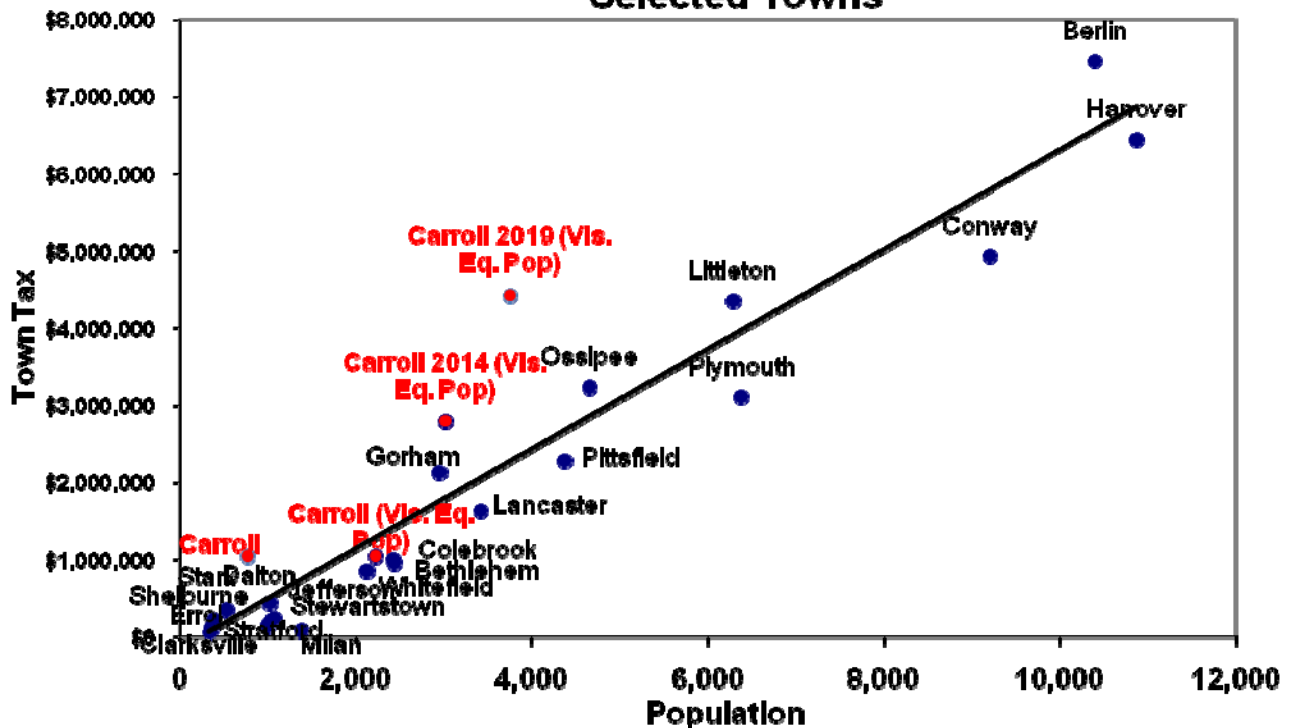
- Total Town of Carroll Population + “Visitor Imputed” of 2,220 in 2007
 - 783 (2007 Full Time Resident Population)
 - plus 1,458 (2007) Visitor Equivalent Municipal Services Population which includes 50% visitor “burden factor.” This is calculated taking the total annual visitor days to the Resort in 2007 (369,438) and related properties dividing by 365 (days in a year) and multiplying by 1.5.

- Growing to 3,750 Population+Visitor Imputed in 2019
 - Assuming natural full time resident population growth of .5 percent per year from base in 2007, to 835.
 - And accounting for growth in visitors to 2,914 Visitor Equivalent Population. This is calculated taking the total expected annual visitor days to the Resort in 2019 (747,296) and related properties dividing by 365 (days in a year) and multiplying by 1.5.

Analyzing the fiscal growth for the town of Carroll it was assumed that in 2007 there was neither a fiscal deficit nor surplus, the town was in fiscal “equilibrium,” town revenues equaled expenditures. For the town of Carroll, the 2007 local tax base was \$1.3 million and this was generated from the town tax of 3.57 percent on all property valuation. The 2007 total taxes collected, including town, county, local and state education taxes, was \$5.1 million in Carroll, at a rate of 13.62 percent.

From a fiscal regression model, see below graphical depiction, specified with data from all the towns and cities in New Hampshire, it was identified that municipal expenditures tend to grow at approximately the same rate as the population.

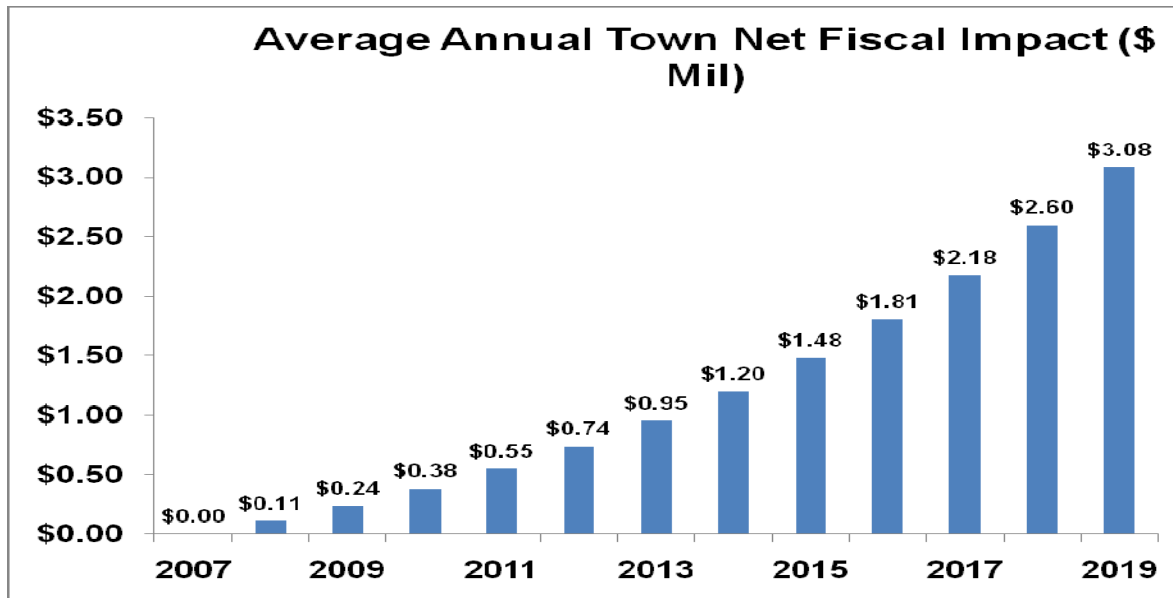
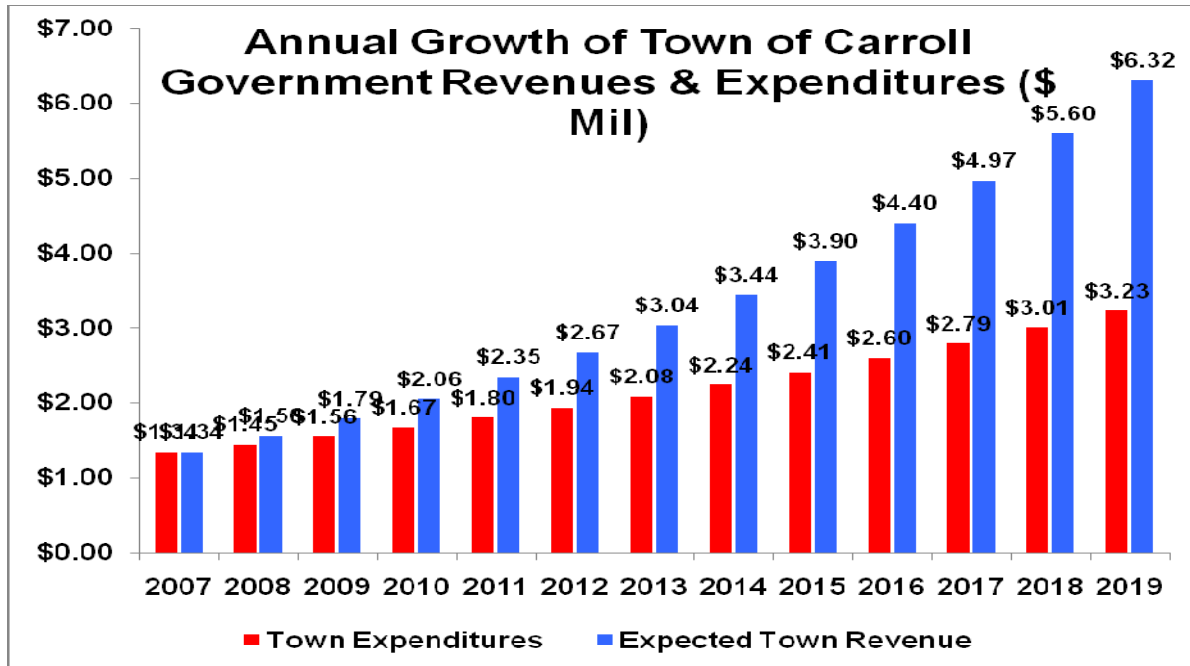
Population vs. Town Tax Revenue, Coos County & Selected Towns



Using this relation and including the imputed visitor population in Carroll, the future need for municipal services expenditures was estimated by the annual total population (including visitors) growth. An additional 3 percent per year inflation adjustment was factored into the estimates of expenditures as well.

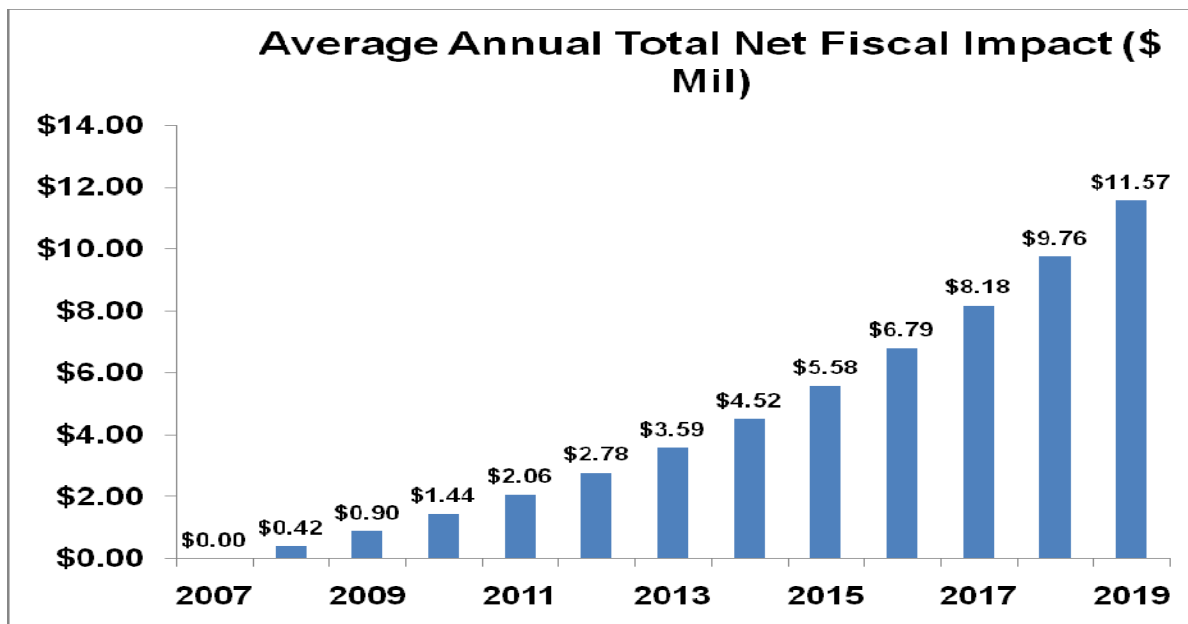
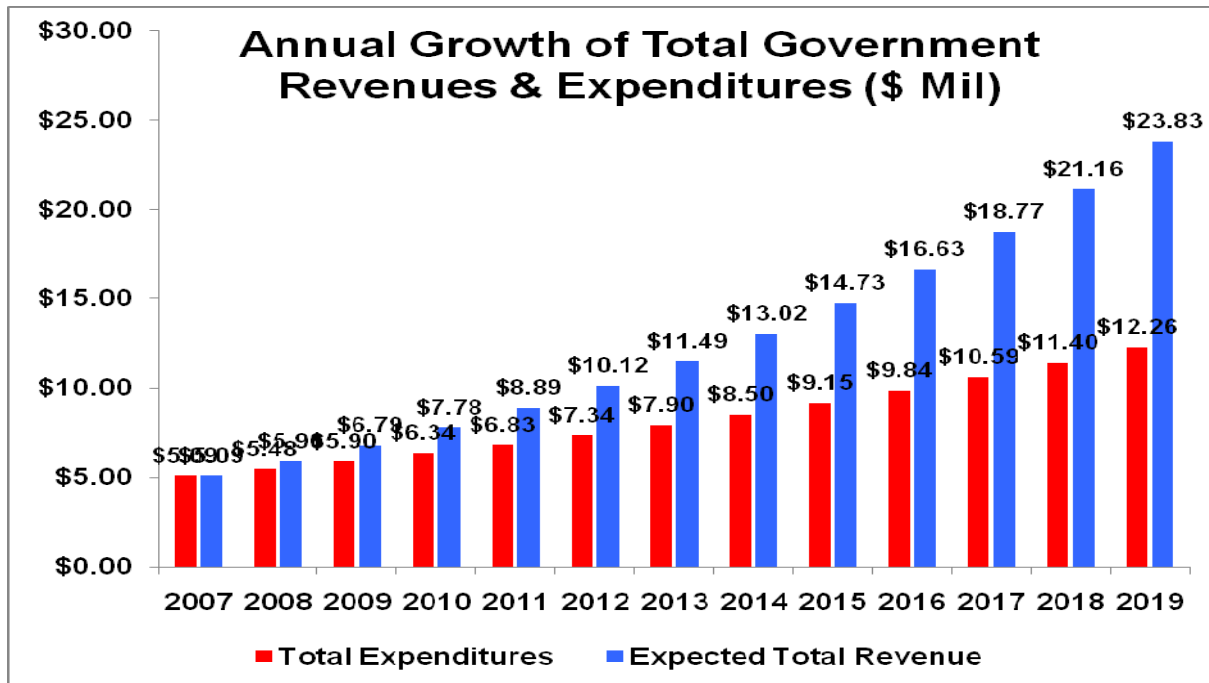
With the development planned, the local town tax revenue generated for Carroll is expected to grow by \$4.4 in 2019, an annual growth rate of just under 13 percent. The total tax revenue (town, county, local and state education) generated from the new development is expected to increase by \$16.6 million by 2019.

For the town of Carroll tax, revenue and expenditure base alone, it is estimated that the Mt Washington Resort and Development investments will add \$4.4M to the town tax from the 2007 base of \$1.3M. Local expenses are estimated to go up less than \$2M resulting in local town estimated town tax surplus of \$3M (2019 \$'s), or potential to reduce tax rates by over 40% (47%), see graphs below.



For the total property tax base and local, local and state education, and county services expenses are estimated to go up with the population growth to \$7.2M if current tax rates are held constant a surplus of \$11.6M is expected by 2019, or potential to reduce tax rates just under 50% (48.7%), see graphs below. This projected surplus does not take into account any possible increases in the local or state

education tax rates or increase in county tax rates. Even if these rates were to increase by significant percentages, a surplus would remain.



Municipal Services

With planned development there will be a need for increases in a range of municipal services to the area. Future capacity requirements for electricity will either be funded by the developer or through the existing provider, PSNH, through future revenue. Currently all costs for water and wastewater are covered by the developer and plans are to continue this in the future. The Bretton Woods Telephone Co. presently provides the Resort with the service and is expected to continue to do so and meet the new demand with planned investment and development.

Police and Fire Services³

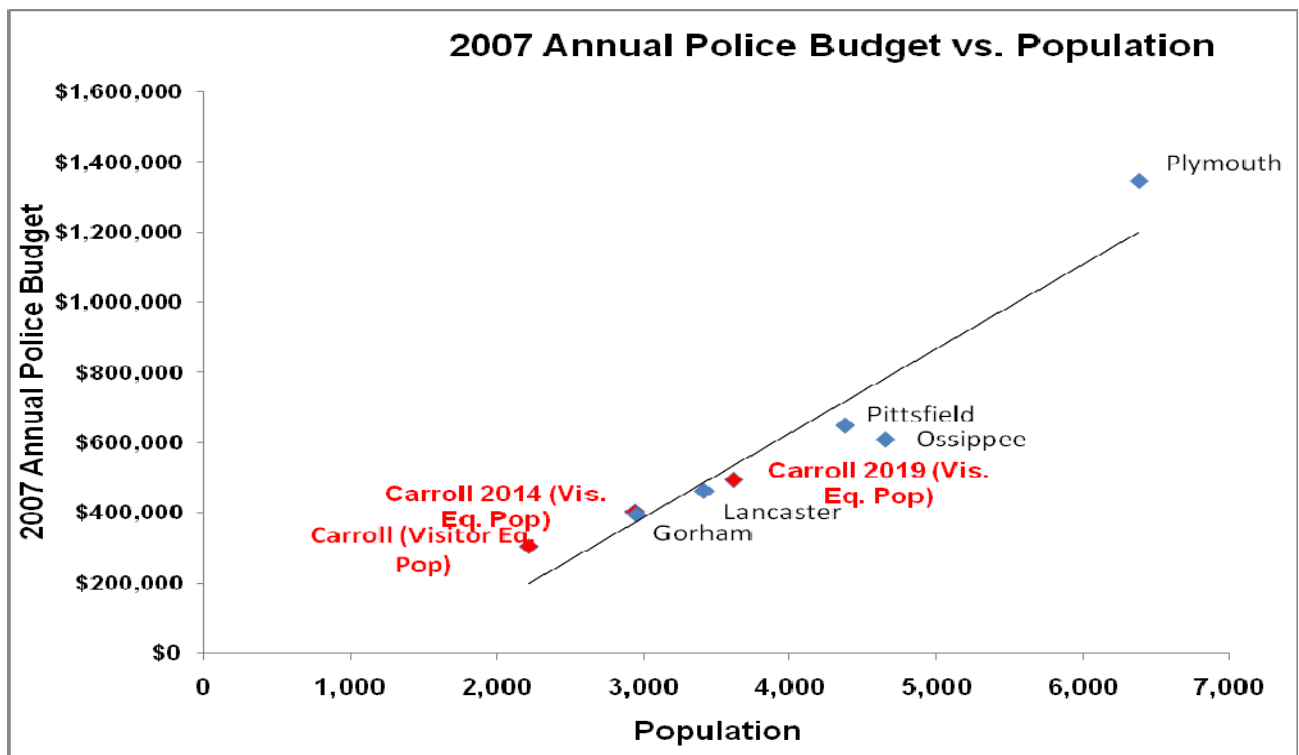
With the planned development there will be additional demand for police and fire services in the town of Carroll. The table below shows that even with adding imputed visitor population for Carroll and not the other towns, on police services the town of Carroll currently exceeds the average expenditures per capita of a small sample of comparison towns in New Hampshire -- Gorham, Lancaster, and Pittsfield -- with per capita expenditures of over \$200. For fire and ambulance services the town's per capita expenditures this is not the case, as town of Carroll per capita spending is above one and below two of the comparison towns. Increased costs per capita for fire services could be met with the expected fiscal surpluses. If the town of Carroll were to increase its per person fire and ambulance services to the highest comparison figure (from \$86 to \$110 in 2007\$, or by \$35.26 in 2019 dollars for population including visitors of 3,750) this would result in a need to increase spending by \$132,000 out of the \$3M expected "surplus".

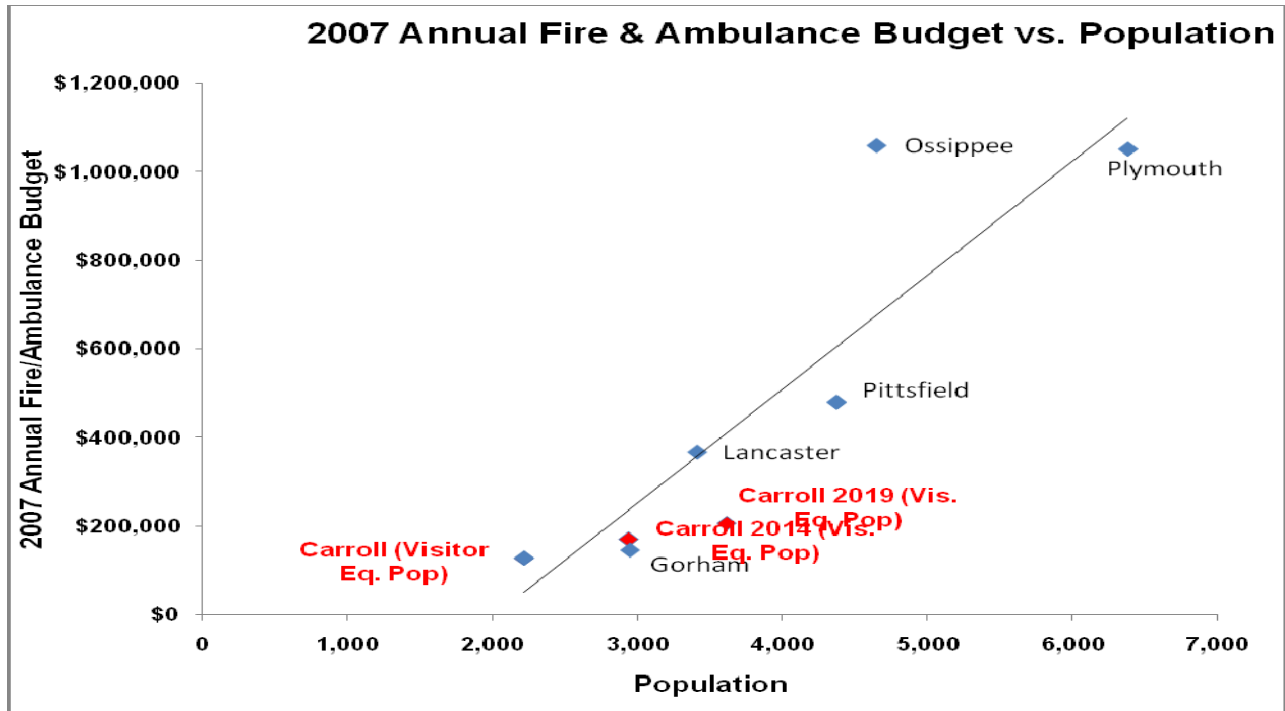
The above, however, does not take into account the potential need for new capital investments. In interviews with local officials there was consensus view of need for a new fire sub-station in the Bretton Woods area. The fire chief (rough) estimated costs for a new fire sub-station at \$600,000 for a facility and \$350,000 for a new fire engine. These capital costs (and any increased costs for on-going services with increased population) could be met with the expected fiscal "surpluses" reviewed above.

³ This analysis is meant to provide some insight and perspective on two critical service areas. More detailed analysis would be required for full assessment.

2007 Annual Budget

Rank	Town	Population	Police		Fire/Ambulance	
			Annual	Per Person	Annual	Per Person
1	Carroll	1,488*	\$305,000	\$205	\$128,000	\$86
2	Gorham	2,948	\$395,000	\$134	\$146,000	\$50
3	Lancaster	3,411	\$462,000	\$135	\$367,000	\$108
4	Pittsfield	4,370	\$649,000	\$149	\$480,000	\$110





Summary

The economic impact of the Mt Washington Resort and Development is significant. In 2007 the Mount Washington Resort contributed \$18.8 million directly to the local Coos County economy. Employment totaled 470 Full Time Equivalent jobs (FTEs) in the County, with about 900 workers employed in different seasons. By 2019 it is estimated that the overall economic impact of the Resort in the local, Coos County, economy will increase from \$18.8 million (in 2007 \$'s) to \$71 million (in 2019\$'s) or 277 percent and employment will increase to over 930 FTEs and 1,500 employed annually. With adjustments for an assumed 3 percent per year inflation rate, the real increase in economic impact of the Resort and related properties is expected to be more than one and one-half times (or 156% in Coos County). By 2019 it is estimated that the Resort will account for over 4.6% of County economy and taking into account the multiplier, 8.7% of the Coos economy.

These estimates of the economic impact of the Mt Washington Resort and Development are more likely to underestimate than overestimate the true economic impact currently and in the future of the Mount Washington Resort and Development.

The estimates for the impact in Coos County use a 1.9 multiplier. That is for every \$1 million change in Resort and Development output a \$1.9 million gain for the economy. This is a conservative multiplier given the economic impact methodology used. The economic base analysis did not include vendor purchases outside the County and wages (and worker local expenditures) of workers from outside the County.

The 2019 estimate also assumes that most of the 2007 parameters do not change. The assumptions include that the mix of visitors stays the same. However, with the Resort and Development further established as a “destination” there would be a higher expected proportion of visits from outside New Hampshire. This would most likely result in the average income of visitors and average visitor expenditures increasing.

In addition, the current percent of suppliers from Coos County at 8% has potential to be increased over time as entrepreneurship opportunities expand in the County with the Mount Washington Resort and Development as an economic hub. Also the 46% of the total Mt Washington Resort and Development wages earned by local residents has potential to be increased over time with expanded outreach and partnership with local and state-wide educational institutions.

Finally the base case used is *as is* which may not accurately reflect recent and planned changes to the regional and national Resort industry. Resort competitors in Vermont, Maine and Colorado and elsewhere are aggressively upgrading, having already invested or planning to invest in major upgrades. Without the planned development in Mount Washington, the area would most likely lose tourism industry market share, and New Hampshire and Coos economies could experience decline in attractiveness and competitiveness.

The Mount Washington Resort and Development is an economic bright spot in a geographic area with significant economic concerns. As documented in this report, the \$1.1 Billion in planned private investment will provide substantial economic benefits to Coos County, the North Country and the state of New Hampshire. The investment and economic contributions of the Mt Washington Resort and Development can be an economic hub for the region and leveraged to expand economic opportunities in Coos County and elsewhere in the state.

Appendix

Fiscal Regression Analysis

MODEL: $\text{LogTownTax} = B_1 + B_2 * \text{LogPop}$

The REG Procedure
Model: MODEL1
Dependent Variable: logtowntax

Number of Observations Read	231
Number of Observations Used	231

Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	366.81268	366.81268	950.98	<.0001
Error	229	88.32968	0.38572		
Corrected Total	230	455.14236			

Root MSE	0.62106	R-Square	0.8059
Dependent Mean	14.05046	Adj R-Sq	0.8051
Coeff Var	4.42023		

Parameter Estimates

Variable	DF	Parameter Estimate	Standard Error	t Value	Pr > t
Intercept	1	5.66521	0.27497	20.60	<.0001
logpop	1	1.06002	0.03437	30.84	<.0001

-Estimating the model in the form of logs, allows the model to be interpreted in terms of percentage changes. With the estimated model, containing an intercept, a 1% change in the town's population changes implies a 1.06% change in the town's tax revenue. Nearly a one for one proportionate change.

References

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