

What exactly is Socioeconomics?


Northern Economics is part of the team preparing an Environmental Impact Statement, or EIS, for the proposed Knik Arm Crossing, a bridge to connect Anchorage to Point MacKenzie in the Matanuska-Susitna Borough.

An EIS has to look at both potential impacts to the physical environment and the human side of the equation, the economic and social environment – in other words, socioeconomic impacts.

The aim of a socioeconomic analysis is to tell a coherent, internally consistent, and objective story about the effect of a project or program on a local economy. Socioeconomic analysis involves gathering data and analysis on such topics as neighborhoods, population, community cohesion, facilities and public services, transportation, housing, employment, and income.

Northern Economics' role for the Knik Arm Crossing, then, is to examine the impacts of the Knik Arm Crossing on the social and economic environments of the Municipality of Anchorage and Matanuska-Susitna Borough.

The work is ongoing and will become part of the Environmental Impact Statement being led by HDR Alaska for the Knik Arm Bridge and Toll Authority.


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Economic Snapshots

The study of economics has been called the *dismal science*, but we think it's a matter of perspective. From our point of view, economics is a fascinating angle from which to look at the world. Over the past year we've had the opportunity to participate in a number of interesting studies on topics ranging from fisheries management to the need for a convention center to the community impacts of a super store – all real-world projects, with real-world implications for communities.

The following are just a few of the projects we've looked at from an economic perspective.

Super Walmart: Super Impacts?

What is the impact of a Super Wal-Mart on other retail businesses in a community and the downtown core? Those are the questions the City of Yakima asked Northern Economics to answer in a recent study. To reach the answer, staff in our Bellingham office researched academic studies, gathered data from federal, state and county agencies, and conducted interviews with Yakima businesses and officials to determine trade area capture, pull factor values, and estimated average sales per square foot of floor space. Analysis of this information indicates:

- ❖ A large portion of Super Wal-Mart sales will come from existing businesses
- ❖ Potential impacts of a Super Wal-Mart will be greatest at nearby convenience centers
- ❖ Grocery stores will be affected more than other types of retail establishments
- ❖ The Super Wal-Mart is not likely to

effect redevelopment of downtown Yakima

- ❖ Commercial vacancies, if they occur, will be in one of the fastest growing areas of town; this growth will attract additional firms to the area and fill the vacancies

Just How Golden is that King Crab?

Federal legislation that created the quota share program for the Alaska crab fisheries requires that a market report be prepared to provide background information for each specific crab fishery, and a non-binding price formula be developed to serve as a starting point for price negotiations between fishers and processors, or as a starting point in the arbitration process. Northern Economics, assisted by three professors with expertise in fishery economics, was retained by the North Pacific Arbitration Organization and the Alaska Crab Processors Arbitration Organization to prepare the market report and price formula for golden king crab (aka Aleutian Island brown king crab) fishery. The price formula estimates the ex-vessel and wholesale prices of golden king crab for the coming season. The golden king crab market report and price formula are the first such analyses to be developed under the crab

see Snapshots, next page

NEXT ISSUE

The next issue will feature Community Impact Models: What are they, how do they differ from Input-Output models, and how can they be of use to your community?

Snapshots, continued

rationalization program; similar reports will be required for other crab fisheries in the waters off Alaska's coast.

Eroding Roads

Northern Economics staff from Bellingham were part of a multidisciplinary team that prepared a benefit-cost analysis of a Washington State Department of Transportation (WSDOT) program to protect State Route 105 from coastal erosion employing a system of dikes and groins, coupled with renourishing the beach with sand. The project evaluated economic benefits and costs as well as ecological benefits and costs – primarily habitat for salmon and other fish. The study found that the beach will need to be renourished every two to four years instead of the planned six-year interval, and the ecological impacts of renourishment appear to be neutral. Northern Economics developed a spreadsheet simulation model, using Palisade Corporation's @RISK, an add-in for Microsoft Excel, for use by WSDOT staff to analyze environmental economics and impacts for similar future projects.

Some Alaska Fiscal Facts

Do you remember when Alaska's unrestricted general fund revenues reached \$4.1 billion? Answer: 1982. In 1999 the same revenue sources only contributed \$0.8 billion! In what year did Senator Ted Stevens first become chair of the Appropriations Committee (and federal dollars to Alaska really begin to increase)? Answer: 1997. This is not a test; these items were some of the statistics and comparisons that Northern Economics developed while preparing a report on the history of the Anchorage economy for the Anchorage Economic Development Corporation (AEDC). Bob Poe, President and CEO of AEDC, regularly uses such statistics in presentations to civic groups and firms considering locating in Anchorage.

Our Civic (Center) Duties

Northern Economics had several roles in the development of the Anchorage Civic and Convention Center that will start

construction in the near future.

2004 We assisted the Municipality of Anchorage in preparing the Request for Proposals and provided an independent evaluation to the selection committee on the bids that were received, and other assistance as requested during the selection process.

2005 Following the selection of Alaska Center for Convention and Trade, LLC (ACCT) to design and build the facility, Northern Economics was retained by *Anchorage Civic and Convention Center Yes (ACCCY)*, to update the feasibility study that we prepared in 2001, focusing on the changes in the market for meetings and conventions, the financing package put forth by ACCT, and the economic impact on Anchorage. This report would become available to the public for consideration in a vote to increase the hotel bed tax from 8 percent to 12 percent.

Some of the key findings in our report:

- ❖ Anchorage hosts hundreds of thousands of visitors a year; this entire number of visitors will generate increased bed tax revenues, not just convention attendees
- ❖ ACCT and the Municipality developed a financing package that eliminated risk to the MOA and property owners
- ❖ ACCT's financial projections were based on a very conservative forecast of the bed tax revenues (\$20 million in 2020 compared to \$33 million forecasted by Northern Economics)
- ❖ Spending by convention delegates, attendees, exhibitors, sponsors, and the operations and maintenance of the new facility will add 1,925 new jobs to the Anchorage economy

Critically Thinking

What are the human impacts of setting aside areas of critical habitat for at-risk fish species? That question gets even more complicated when the potential areas of critical habitat coincide with large and important areas of human activity. Working with the Pacific

Northwest and California Offices of NOAA Fisheries, Northern Economics compiled an assessment of the economic impacts on small businesses of designating critical habitat for 19 endangered or threatened salmon and steelhead runs in the Pacific Northwest and California. The proposed critical habitat designation affected 108 of the 177 counties in Washington, Idaho, Oregon, and California. We estimated that small businesses with over \$518 billion in annual revenues would be affected.

What's Next?

As long as there are resource allocation, civic investment and infrastructure decisions to be made, we'll look forward to the opportunity to help communities make decisions with the best economic data available.

Our Interns

Northern Economics provides opportunities for students interested in economics to get real-world experience in the field. This fall the company has three interns; two in the Anchorage office and one in the Bellingham office.

Brooke Linford graduates in December with a BBA in Economics from the University of Alaska, Anchorage. Nick Szymoniak, also at UAA, is completing his senior year. Jesse McCullough, a resident of Sequim, WA, just graduated from Western Washington University with a degree in economics, and is trying to decide whether to pursue graduate studies in economics or law.

Northern Economics typically has internships during the school year and the summer. The interns are exposed to a number of different projects over the course of their engagement and learn a variety of research skills by working with our team of talented and experienced economists. In turn, Northern Economics gets a group of eager staff that help us collect and analyze data, and keep costs down for our clients. The interns also bring levity, spontaneity, and enthusiasm to a company of practitioners of the *Dismal Science*.