

# **Summary of Economic Impact**



## **PROPOSED INTERSTATE 73 IN VIRGINIA**

*Franklin County Chamber of Commerce  
Martinsville-Henry County Chamber of Commerce  
Roanoke Regional Chamber of Commerce*

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# SUMMARY OF ECONOMIC IMPACT

## Proposed Interstate 73 in Virginia

### *Background*

- The Virginia Tobacco Indemnification and Community Revitalization Commission and the Harvest Foundation provided funding for an independent analysis of the economic impact that I-73 will have on the approved corridor from the NC/VA border to the Roanoke Valley.
- The study was conducted by Chmura Economics & Analytics (Chmura), a Virginia firm that has extensive experience in economic studies in southwest and southside Virginia. The study is based on constructing the highway between 2012 and 2020. The traffic and transportation data was compiled and reviewed by the Timmons Group.
- The I-73 corridor includes six jurisdictions – the cities of Martinsville, Roanoke and Salem and the counties of Franklin, Henry and Roanoke.

### *General Economic Literature*

- **Travel efficiency.** Highways can reduce travel time for area businesses and residents. Trade, manufacturing and construction sectors will benefit more from a new highway than other sectors such as healthcare and education.
- **Attraction of service businesses.** Businesses, including hotels, gas stations and restaurants cluster around interstate interchanges.
- **Economic development benefits of firm relocations and expansions.** Several case studies have found that rural counties with an interstate highway enjoy faster population and employment growth than similar counties without an interstate highway.

### *Economics of the Region*

- In the 30 years ending with 2000, the population of the I-73 corridor region grew at a much slower pace than the average for Virginia. The corridor region's population grew at an annual pace of 0.5%, and the state's population grew at a pace of 1.4% annually.

- Population of jurisdictions:

	<u>1970</u>	<u>2000</u>	<u>Average Change Per Year</u>
Martinsville	19,653	15,416	- 0.8%
Roanoke	92,115	94,911	0.1%
Salem	21,982	24,747	0.4%
Franklin County	26,858	47,286	1.9%
Henry County	50,901	57,930	0.4%
Roanoke County	67,339	85,778	0.8%
Virginia	4,648,494	7,078,515	1.4%

*Source: U.S. Census Bureau*

- For the 10 years ending in 2005, the I-73 corridor essentially had no employment growth compared to a 1.9% average annual rate in the state.

***Average Annual Growth Rate in Total Employment***

<u>Locality</u>	<u>1969 – 1975</u>	<u>1975 – 1985</u>	<u>1985 – 1995</u>	<u>1995 - 2005</u>
<b>Virginia</b>	<b>2.0%</b>	<b>2.8%</b>	<b>2.1%</b>	<b>1.9%</b>
<b>I-73 Corridor</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.2%</b>	<b>0.0%</b>
Henry County & Martinsville City	0.0%	1.9%	-0.3%	-2.2%
Franklin County	2.3%	2.0%	1.6%	2.6%
Roanoke County & Salem City	3.0%	2.4%	2.8%	1.3%
Roanoke City	1.9%	1.4%	0.8%	-0.5%

*Source: Bureau of Economic Analysis*

- Reasons for lack of employment growth include the decline of manufacturing (more concentrated in the I-73 corridor region than in the state) and the fast-growing high-tech sector is less concentrated in the I-73 corridor region than in the state.
- Per capita income in all jurisdictions in the I-73 corridor region was lower than the statewide average in 2005. The income gap widened from 99% to 85% of the state average by 2005.

*Per Capita Income (2005 dollars)*

<u>Locality</u>	<u>1969</u>	<u>1975</u>	<u>1985</u>	<u>1995</u>	<u>2005</u>
<b>Virginia</b>	\$18,918	\$21,625	\$27,885	\$30,826	\$37,503
<b>I-73 Corridor</b>	\$18,654	\$19,923	\$25,081	\$27,332	\$31,750
Henry County & Martinsville City	\$17,167	\$17,004	\$22,565	\$23,622	\$25,312
Franklin County	\$14,537	\$15,284	\$20,634	\$23,259	\$27,584
Roanoke County & Salem City	\$19,408	\$20,428	\$28,412	\$33,709	\$35,140
Roanoke City	\$19,828	\$22,021	\$25,209	\$25,099	\$32,512

*Source: Bureau of Economic Analysis and Bureau of Labor Statistics*

**Traffic**

- The traffic model of the Virginia Department of Transportation projects an increase in average daily traffic of 41% after I-73 is completed. The model also projects that the heavy vehicle traffic will be between 11% and 19% of the total traffic volume. It is possible that the traffic will be higher than currently projected with the completion of the FedEx hub in Greensboro and when other segments of I-73 are completed. The VDOT traffic projection is focused only on I-73 in Virginia.

## ***Major Findings***

- The one-time economic impact of construction of I-73 is projected to generate \$4.4 billion in the corridor region. Of this total, \$2.75 billion is direct construction spending. \$1.66 billion is the ripple impact of construction.
- Construction of I-73 will create 3,415 new jobs per year from 2012 to 2020 and by ripple, will create an additional 1,887 jobs per year in the region. This results in an average 5,303 jobs per year during construction.
- I-73 can provide between \$141.2 and \$161.0 million in annual cost savings for current businesses as a result of improved travel efficiency.
- By 2020, I-73 can support 141 service businesses (44 hotels, 43 gas stations, 32 fast food restaurants and 22 full-service restaurants) and 2,455 jobs in the region with a total annual economic impact of \$310 million. The direct output of these businesses is estimated to be \$201 million in 2020 with ripple effects of \$109 million.
- By 2025, the number of businesses is projected to grow to 155. These businesses can support an estimated 2,455 jobs in 2020 and 2,688 jobs in 2025. The City of Roanoke is expected to land more than half the jobs along I-73 followed by Henry, Franklin and Roanoke counties. In 2020, 15% of the economic impact due to these businesses is expected to take place in the southern part of the corridor. That percentage is increased to 19% by 2025 because of the increases in economic activity.
- I-73 can also support distribution centers, each averaging \$22 million in economic impact and 277 new jobs.
- Virginia will receive around \$15 million in annual tax revenue while the local governments will receive tax benefits totaling \$9.8 million annually beginning in 2020 in the form of local sales tax, BPOL tax, meals tax and lodging tax. The annual tax revenue for 2025 will be higher.
- Other benefits of I-73 are better market access, increased appeal for business relocations, faster population growth, increased tourism, better road safety and improved quality of life.

## ***Conclusion***

- The cumulative benefits of I-73 will outweigh the costs in fewer than 10 years. The benefits total \$8.1 billion (\$4.1 in benefits from construction and \$4.0 in economic benefit for the 10 years following construction), and the costs estimated by VDOT total \$4.0 billion (in 2017 dollars), so the ratio of benefits to cost is 2:1.