

Economic Change in the American West: Solutions to the Downside of Amenity Migration

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Abstract The economy of the American West has changed significantly in the last 30 years, and has transitioned away from being dependent on resource extraction and increasingly dependent on attracting talented workers who seek a high quality of life and a western lifestyle. Many “knowledge-based” activities – design, finance, marketing, and management, for example – can locate anywhere in the world. For the US West, this has meant an emerging competitive advantage in attracting these “footloose” occupations. This means it is possible to work as an engineer, software developer or architect in a picturesque rural community, even if the clients, suppliers and manufacturing facilities are located elsewhere. Because of the rapid growth and amenity migration, this region is in danger of losing the qualities that have made it an economic success. Solutions are offered in three arenas important to the US West: land use planning, preventing the building of homes in areas prone to forest fires, and affordable housing.

Introduction

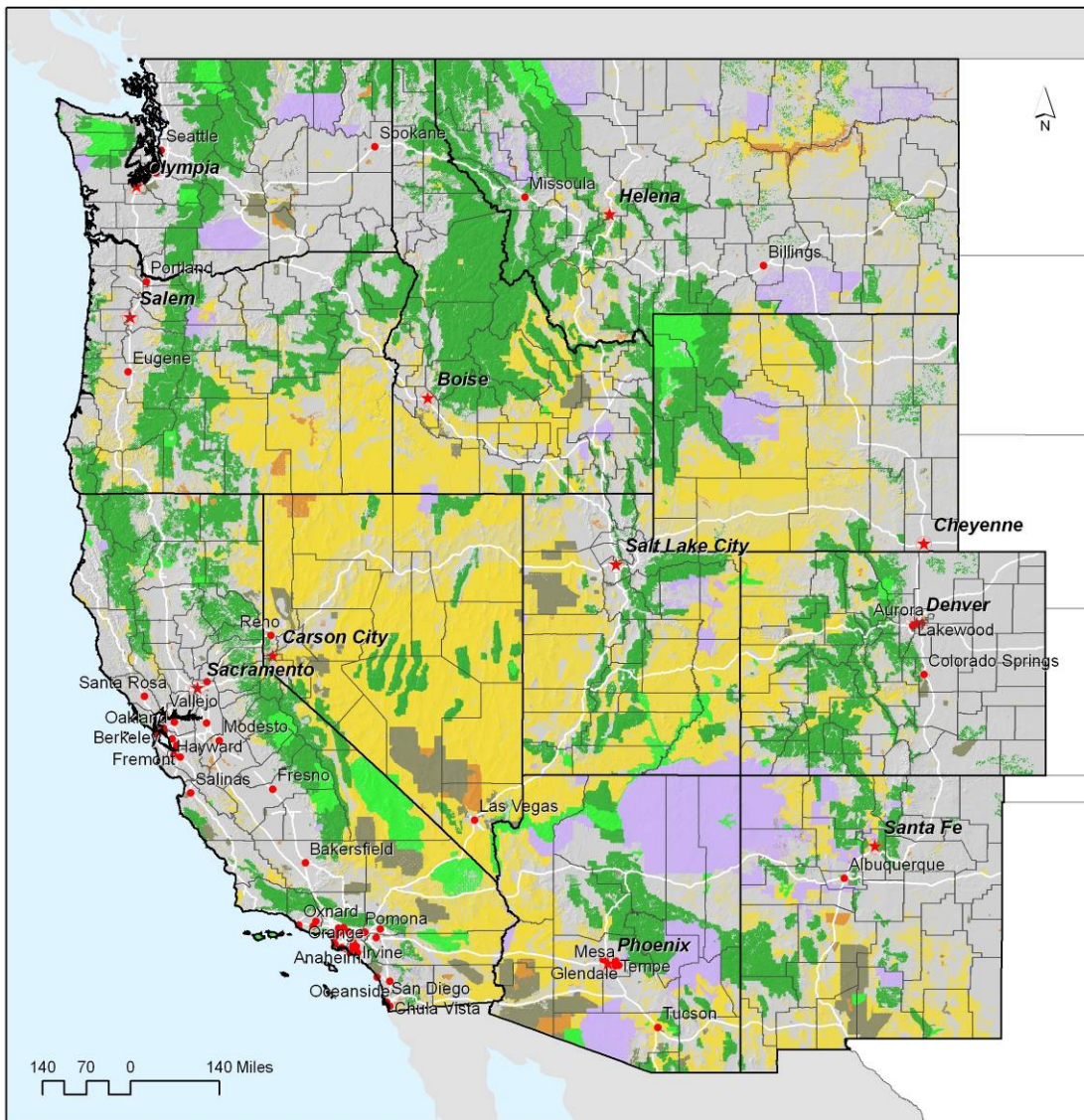
The Western United States – the West – is an important case in the study of amenity migration because of the mixture of public and private lands. The lands that provide the amenities are more often than not in public ownership, yet the impacts of amenity migration are felt on private lands, and in communities.

The vast majority of the mountains, rivers, and wide open spaces that attract people to want to live in mountain communities are in communal ownership. This means the management of these lands is continually debated. On the one hand, they could be used for resource development, like mining, which can leave pollution and permanent scars on the landscape. On the other hand, they could be managed for their scenic, wildlife and recreational values, which helps to attract and retain new migrants, but which also brings with it a host of new challenges. The subdivision of farms and ranches for home building is one of these.

In the following sections I explain how the West has changed, and explore the changing role of public lands, and how today these lands serve largely to attract people and business. From there I discuss the new problems that come with amenity migration, such as the loss of open space, forest fires that burn homes, and the lack of affordable housing. I conclude by suggesting ways to tackle these challenges.

The West is defined in this paper as the following 11 states: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming (Figure 1). Over half of the land in the West is publicly owned, and managed on behalf of the American public by such agencies as the U.S. Forest Service, Bureau of Land Management (BLM), National Park Service, and the U.S. Fish and Wildlife Service.

Figure 1: The U.S. West.



Federally Managed Public Lands		Political Boundaries	
	US Forest Service		States
	US National Park Service		Counties
	US Fish and Wildlife Service	Major Cities	
	US Bureau of Land Management		State Capital
	Other Federal		Population > 100,000
Tribal Lands		Major Roads	
	Tribal Lands		Limited Access Highway

Data Sources: US Census,
US Geological Survey
World Mercator Projection
Map Date: 5/12/2008



Economic Changes in the West

The culture of the West, its collective consciousness, identity, and people's sense of place and belonging are influenced by an economic history that is tied to the land as the source of wealth. The land provided food, clothing, and shelter for early pioneers and it provided a wealth of minerals, fossil fuels, and lumber for the companies that followed. Entire communities sprang up overnight that were dependent on what could be cut down or dug up and exported to distant markets.

The public lands of the West, in particular those with a "multiple use" mandate, such as the Forest Service and BLM lands, played a pivotal role in supplying communities of the West with the mineral, timber and forage necessary to maintain their economies.

The economy of the West today is much different than it was in the past and because of this, the role of public lands has changed. From 1970 to 2000, 53 percent of the net growth in real personal income occurred in service and professional industries, a mixture of high and low-wage service occupations that includes lawyers, architects, engineers, doctors and nurses, as well as school teachers and shop keepers. Another 33 percent of net growth in personal income was in the form of non-labor income. This category includes dividends, interest and rent, and government transfer payments, and can be more easily described as money earned from investments and retirement. (It does not include private retirement plans, such as 401ks, so it is likely an underestimate of the size of retirement money circulating in the economy).

Together, service-based occupations and non-labor income constitute 86 percent of the growth in the economy of the West during the last three decades. In contrast, industries that the West used to rely on more heavily – mining, timber and agriculture – collectively added less than one percent to the growth in new income.¹

The trends that began in the 1970s and 1980s continue today. In 2005, 45 percent of total personal income in the West was in the form of wages earned by people employed in service-related occupations, while another 27 percent was from non-labor sources. These proportions are about the same as they were in the year 2000. Of particular note, given that a new energy development boom started around the beginning of this decade, is the fact that "mining," which includes oil and gas development, is still a relatively small component of the economy of the West, providing one percent of total personal income.²

It could be argued that these trends are an urban phenomenon. The West is after all the most urbanized part of the U.S., with 90 percent of people living in metropolitan areas.³ A closer look at the rest of the West—the rural West without the metropolitan areas—reveals a similar finding. In the non-metropolitan West, a third of personal income in 2005 is in the form of service-related industries. Non-labor income is relatively larger than in the West as a whole, making up more than 40 percent of total personal income.⁴ Mining, including oil and gas development and coal mining, constitutes less than 5 percent of total personal income and 2 percent of employment.⁵

These figures point to the magnitude of the economic shift that has taken place over the last several generations – from an economy focused on natural resource extraction and agriculture to a more diversified mix of industries that more closely mirrors the evolving national economy.

Along with the rest of the developed world, the U.S. economy has made several important shifts. The first was from an agrarian economy to one dependent largely on manufacturing. The next shift was from manufacturing to services. Much of this last shift happened in the 1980s and 1990s. By the early 2000s, it became clear another shift was taking place: from services to what some economists call the “knowledge-based” economy. Whether that is the right label is open to discussion. What is important to recognize, however, is that more and more of the value of a finished product or service is attributable to the types of occupations that require thought, and the exchange of ideas and information. They include the engineers, architects, designers, financiers, and marketers, that in official government statistics these show up as “services.”

One of the consequences of a shift in emphasis and value to service and knowledge-based is that the process of goods production has changed. While in the past goods were made locally, today the assembly line is scattered throughout the globe. This means the final stages of production, where factory workers are employed soldering and bolting items together, may be in one end of the world, while the “knowledge-based” activities – the design, finance, marketing and management – can be located elsewhere.

For the West, this has meant an emerging competitive advantage in attracting these “footloose” occupations. The West has a high quality of life, with vast stretches of wild and scenic country, many of them protected as National Parks and wilderness areas. It also has developed modern telecommunications systems, fast highways, and a multitude of small and large airports. These developments – the changing nature of goods production and modern forms of communicating and travel – have allowed the West to move from an agrarian and resource dependent economy to one that is service and knowledge-based.

The Changing Economic Role of Public Lands

In the past the economic role of public lands was, to a large extent, as a repository of raw materials to be harvested or extracted. As the economy of the West grew, with Americans enjoying more leisure time, with an aging population and increased mobility of people and business, the economic role of public lands expanded to also include providing opportunities for recreation and tourism. Both of these are still true today. Added on top of these roles is a new role for public lands – as a setting that makes adjacent communities attractive places to live and do business.

Modern telecommunications technology and growing regional airports, coupled with the changing nature of how goods and services are produced, with many occupations (engineering, software development, marketing, etc.) decoupled from large cities and the factory floor, has made the public lands of the West an economic asset in whole new ways. Today, the wide open spaces of the Forest Service and BLM play an important role in attracting entrepreneurs who can

locate anywhere, retirees seeking towns with a high quality of life, and “amenity migrants,” people who choose where to live first, and then either find work, or create opportunities for themselves.

To put the changing economic role of public lands in perspective, those activities normally associated with various uses of public lands – travel and tourism, mining (including energy development), and the timber industry – constitute approximately seven percent of all jobs in the West (using 2006 numbers, the latest available). This means 93 percent of employment today has no direct link to the use of public lands.⁶

The body of literature documenting this new phenomenon – that public lands attract amenity migrants – is large and growing.⁷ One detailed study of the relationship between wilderness and other forms of protected public lands and economic development was conducted by the author of this paper. The study found that counties in the West with wilderness, national parks, national monuments and other protected public lands, set aside for their wild land characteristics, play an important role in stimulating economic growth – and the more protected the lands, the stronger their positive impact on growth.⁸

The study also found that there are many other important pieces of the economic development puzzle, and that not all communities benefit equally from protected lands. Access to metropolitan areas, via road and air travel, is also important. The education of the workforce, the arrival of newcomers, and a number of other factors allow some areas to flourish and to take advantage of protected public lands as part of an economic development strategy. In other words, the amenities of public lands are a necessary, but not sufficient, condition for growth.

The Consequences of Amenity Migration and Possible Solutions

For many communities in the West the newfound role of public lands has led to an economy that is growing and more diverse, and therefore more resilient. A business owner who decided to move his high-tech company to one little mountain town was recently quoted as saying he based his location decision on wanting to live “within an hour of good hunting, hiking and fishing.” Another company advertises on the recruitment portion of their web site: “Where would you rather live, in Silicon Valley, or Paradise Valley?” This was accompanied by aerial photos of an ugly, sprawling Silicon Valley, contrasted with a beautiful, green Paradise Valley, surrounded by snowcapped peaks, with the Yellowstone River flowing through it. The implications are clear: if you want to attract talented individuals, you have to provide them with a high quality of life.

As the economic data show, this strategy is working well and the West is indeed has a fast-growing and diverse economy, stimulated in large part by the attraction of amenities. Unfortunately, there are downsides to the recent amenity migration form of growth.

The Impacts on Private Lands

One of the negative consequences is the disappearance of many of the farms and ranches as they are sold to developers and converted into residential development. Often, the per capita ecological footprint is growing exponentially. In Western Montana, for example, the population grew by 50 percent from 1970 to 2006, while acres of residential development increased by 200 percent.⁹

A thorough discussion of the disappearance of open space due to amenity migration, and the full set of tools that can be used to remedy the situation, is beyond the scope of this paper. However, some general principles for better land use planning can be offered:

1. Use all the tools. Land use planning is not just about regulations and zoning. Good land use planning uses a variety of tools, both regulatory and non-regulatory. The most effective examples of land use planning use all the tools, and do so with widespread community support.
2. Work at multiple levels. Often the best-designed plans that have widespread community support are constrained by state laws and regulations. A lack of enabling legislation can work against the ability to conduct land use planning. Reforming state law, while working at the local level, is often necessary.
3. Coordination. A lot can be gained by having agencies work together. For example, it has been shown that it is easier to protect wildlife habitat if highway departments, local planning offices, and wildlife management departments all had the same goals: *i.e.*, reducing collisions between cars and wildlife. Building highway overpasses and underpasses is one solution that meets the goals of all agencies.
4. Eliminate perverse subsidies. Subsidies for transportation infrastructure lead to newer, faster and wider roads, new highway interchanges and road expansion – often working against planning to protect wildlife habitat. Government funding leads to growth in places where often the growth is not desired; build the road and growth will follow. *e.g.*, mule deer habitat was lost on the eastern slope of the Bridger Mountains in Gallatin County, Montana, after a new highway overpass was built.
5. Regional planning. Planning needs to occur at the regional level because otherwise well-intentioned planning in one community can be thwarted by lack of planning in a neighboring community.

Forest Fires and Homes Built in Harm's Way

Another negative side effect of amenity migration is the tendency of people to want to build homes either at the boundary of the forest, or within the forest itself. A fact of the West is that periodically the forests burn. Building homes in harm's way is costing the U.S. taxpayer, on

average, more than \$1 billion per year in fire-fighting costs. The bulk of the costs are attributable to the defense of homes.¹⁰

Only 14 percent of forested western private land adjacent to public land is currently developed for residential use. Based on current growth trends, there is tremendous potential for future development on the remaining 86 percent. Given the rising cost of fighting wildfires in recent years (on average \$1.3 billion each year between 2000-2005, over \$2 billion in 2007), this potential development would create an unmanageable financial burden for taxpayers. For example, if homes were built in 50 percent of the forested areas where private land borders public land, annual firefighting costs could range from \$2.3 billion to \$4.3 billion per year. By way of comparison, the U.S. Forest Service's annual budget is approximately \$4.5 billion. Because of the high costs of fighting fires to protect homes, the public lands agencies of the West are already finding it difficult to fund programs such as wildlife management, campground management, law enforcement, and scientific research.

The reason homes are built in harm's way has a lot to do with perverse incentives and a lack of accountability: those responsible for developing homes in the forest – the local governments that approve new subdivisions and the people who build and buy homes in them – do not pay the full costs of protecting structures from forest fires. The bulk of the costs are borne by the taxpayer through the efforts of the BLM and the Forest Service.

The solution, one that will bring a dramatic change in land development patterns in the West, is to shift the burden, or at least a substantial portion of it, from the taxpayers and federal land managers to the states, counties, cities, and towns, eventually to the homeowner.

There are several ways to do this. State regulators can make a dent in the problem by allowing insurance companies to charge higher premiums for the homes that are most at risk. Congress could stop writing virtual blank checks for the Forest Service's fire fighting budget, which in turn would force states, and eventually counties and towns, to share a higher portion of fire fighting costs. Local governments, in turn, can enact impact fees on new high-risk developments to cover fire-fighting costs. Not all solutions have to be expensive to local government and land owners. We can also map fire prone areas and not permit new development in these zones.

Lack of Affordable Housing

An additional challenge associated with amenity migration is that the demand for housing exceeds supply, leading to a lack of affordable housing. This means workers in low-wage service occupations often have to travel large distances to find an affordable home or apartment.

The solutions to affordable housing are not easy. A short list of what various communities around the West are trying follows:¹¹

1. Raise income. It is more likely for people to afford housing if the economy is growing and diversifying.

2. Reduce taxes. Use tax credits and differential rates to ease the burden of purchasing a home or apartment.
3. Subsidize. Provide land, loans, and reduce the cost of down payments.
4. Cooperative housing by non-profits. In this case, the owner owns the home, but not the land.
5. Modify building codes. Allow for higher densities, a smaller setback requirement and allow cottages in the back lot.
6. Expand the supply of housing. Make it easy for developers to build more homes, directed in places and in forms that are consistent with protecting amenities and allowing for affordable housing.

Summary

The economic role of the public lands of the West has shifted, from providing primarily raw materials for industry, to also providing a setting that makes western communities attractive places to live and do business. As the world economy transitions into a more global and dispersed assembly line, with the factory in one country and the engineers, marketers, and financiers in others, we're going to continue to see increased migration to the West that is stimulated by the presence of public lands amenities. The mountains, rivers, and the slower pace of life – the western lifestyle – will be the most significant competitive advantage for western communities in decades to come.

Unfortunately, amenity-migration has caught much of the West off-guard. While the public lands serve as a draw for new migrants, the impacts are often felt on private lands. With little planning to direct the growth, people build homes in important wildlife habitat, in the forest where they may burn, and on the hillsides, eroding the very qualities that make the West special. As growth continues and the demand for housing outstrips the supply, the lack of affordable housing becomes an important social and economic concern.

Many communities in the West have wrestled with these problems, and some have found solutions. None of them are perfect, yet collectively, the approaches they have tried add up to a significant “toolbox” of ideas for how to manage the downsides of amenity migration, while at the same time reaping the benefits.

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