



# **The Economic Impact of Proposed New Facilities at Stonewall Resort**

**West Virginia University**

**Bureau of Business and Economic Research**

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# THE ECONOMIC IMPACT OF PROPOSED NEW FACILITIES AT STONEWALL RESORT

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## Executive Summary

In an effort to enhance the services it provides to its guests, Stonewall Resort, with the assistance of the BrickStreet Center for Innovation and Entrepreneurship at West Virginia University, has developed a 10-year development plan for the significant expansion of recreational opportunities and overnight accommodations. The plan includes a major renovation of the existing Roanoke Building into two new revenue-generating facilities at the resort: a barn that could host large gatherings, such as weddings, and a western-themed saloon.

As a second phase to the BrickStreet Report, the West Virginia University Bureau of Business and Economic Research (BBER) was commissioned to assess the economic impact of Stonewall Resort’s expansion based on the BrickStreet Center report. Specifically, this study examines the economic impact of the barn operation, saloon operation, and the additional resort revenue associated with the operation of the two facilities. We focus specifically on the impact generated in Braxton, Lewis, and Harrison counties in West Virginia.

Based on the result of the BrickStreet study that projects the proposed Stonewall Resort’s expansion is expected generate direct expenditures of about \$2.3 million, we estimate that this project will generate an additional \$893 thousand of secondary impact, resulting in a total economic output impact of approximately \$3.2 million. Further, we estimate that the full Stonewall Resort expansion will generate a total employment impact of 41 workers, who will earn a total compensation of nearly \$1.2 million. The project also generates nearly \$540 thousand in select state and local tax revenues.

**Table ES1: Combined Economic Impact**

Type of Impact	Direct	Indirect and Induced	Total
<b>Output (thousands)</b>	\$2,285	\$893	\$3,178
<b>Employment (jobs)</b>	34	7	41
<b>Employee Compensation (thousands)</b>	\$922	\$238	\$1,160
<b>State and Local Tax (thousands)</b>	-	-	\$538

Notes: Output, Employee Compensation, and Taxes are measured in 2017 dollar. Tax impact include sales, personal-income, property, and corporate business taxes.



## 1 Introduction

In an effort to enhance the services it provides to its guests, Stonewall Resort, with the assistance of the BrickStreet Center for Innovation and Entrepreneurship at West Virginia University, has developed a 10-year development plan for the significant expansion of recreational opportunities and overnight accommodations. The plan includes a major renovation of the existing Roanoke Building into two new revenue-generating facilities at the resort: a barn that could host large gatherings, such as weddings, and a western-themed saloon. In the first half of 2017, the Brickstreet Center conducted a cost-benefit analysis of the plan, and found that that upon completion, the operation of the two new facilities is expected to generate total profits in excess of \$1.1 million annually. In addition, their operation also allows the Resort itself to generate additional profits because users of the two facilities are expected to use the Resort facilities more generally.

As a second phase to the BrickStreet Report, the West Virginia University Bureau of Business and Economic Research (BBER) was commissioned to conduct a study assessing the economic impact of Stonewall Resort's expansion. Specifically, this study examines the economic impact of the barn operation, saloon operation, and the additional resort revenue associated with the operation of the two facilities. We focus specifically on the impact generated in Braxton, Lewis, and Harrison counties in West Virginia. The primary data input used in this analysis are derived from the cost-benefit analysis study mentioned above.

## 2 Methodology

To estimate the economic impacts of the Stonewall Resort expansion, we use a detailed model of the West Virginia economy.<sup>1</sup> The expenditures for wages and benefits and other spending are referred to as the direct impact. However, the total impact is not limited to the direct impact, but also includes the secondary economic impact accrued as those expenditures are re-spent throughout the economy.

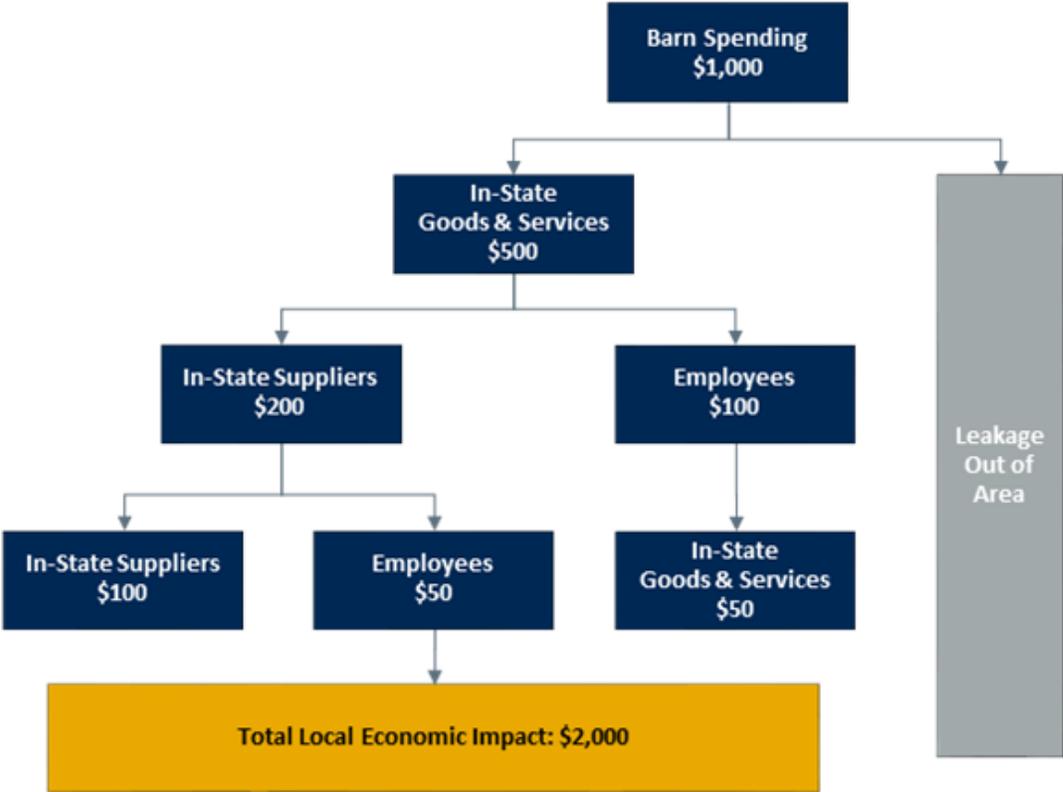
For example, as depicted in Figure 1, each year the Stonewall Resort has a variety of expenditures for barn operations, food and beverages, office supplies, utilities, and hiring performing artists. As the suppliers of these inputs increase production, their subsequent suppliers will increase production, and so on. Also, the resort directly employs workers, part of whose income will be spent in the West Virginia economy, which generates more output, income, and employment. These secondary impacts together form what is known as the "multiplier effect." The original stimulus to the economy from the resort's expenditures is re-spent multiple times through the rest of the economy. At each stage, some of the expenditures "leak" out of West Virginia as they are spent outside the state. The combined direct impact and secondary impacts together constitute the total economic impact of Stonewall Resort's expansion.

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<sup>1</sup> This study was conducted using the IMPLAN modeling software, an industry-standard input-output model of the economy. More information about IMPLAN can be found at <http://www.implan.com>.



**Figure 1: Economic Impact Flow**



Data for this analysis was derived from the cost-benefit analysis developed by the WVU BrickStreet Center for Innovation and Entrepreneurship. The data include the expenditures for construction of the barn and saloon, and the operational costs of both features. To proceed with the analysis, we must make several assumptions. First, we assume that all profits from the new enterprises are reinvested in the operations of the Stonewall Resort’s other operations. Second, we assume that any new employees hired by the resort due to the expansion will live within the state boundaries, and spend the majority of their income within the state.



### 3 Estimated Economic Impacts

#### 3.1 The Economic Impact of Barn Operations

Based on the financial statements provided in the BrickStreet report, the barn operation is expected to generate a direct impact of \$892,500 in expenditures. As shown in Table 1, we estimate that this operation will generate an additional \$328,674 of secondary impact as these monies are re-spent in the state economy. Combining both the direct and secondary impacts, the barn operation is expected to generate a total of \$1.2 million in economic output.

The barn operation is estimated to support 14 jobs directly, and an additional three jobs in the secondary economy, resulting in a total employment impact of 17 jobs. We estimate that these workers will earn a total compensation of \$447 thousand. The overall economic activity associated with the barn operation is estimated to generate more than \$200 thousand in select state and local tax revenues.

**Table 1: Economic Impact of Barn Operations**

Type of Impact	Direct	Indirect and Induced	Total
<b>Output (thousands)</b>	\$893	\$329	\$1,221
<b>Employment (jobs)</b>	14	3	17
<b>Employee Compensation (thousands)</b>	\$360	\$87	\$447
<b>State and Local Tax (thousands)</b>	-	-	\$200

Notes: Output, Employee Compensation, and Taxes are measured in 2017 dollars. Tax impact include sales, personal-income, property, and corporation net income taxes.



### 3.2 Economic Impact of Saloon Operations

Based on the financial statements received from the cost-benefit study, the saloon operation is expected to generate a direct impact of \$519,500 in output. This study estimates that the operation will generate an additional \$196,022 of secondary impact, resulting in a total output impact of \$715,522 (see Table 2).

We estimate that the saloon operation is expected to generate a total employment impact of nine workers, who will earn a total compensation of \$262 thousand. The overall economic activity associated with the barn operation is estimated to generate nearly \$106 thousand in select state and local tax revenues.

**Table 2: Economic Impact of Saloon Operations**

Type of Impact	Direct	Indirect and Induced	Total
<b>Output (thousands)</b>	\$520	\$196	\$716
<b>Employment (jobs)</b>	7	2	9
<b>Employee Compensation (thousands)</b>	\$210	\$52	\$262
<b>State and Local Tax (thousands)</b>	-	-	\$106

Notes: Output, Employee Compensation, and Taxes are measured in 2017 dollars. Tax impact include sales, personal-income, property, and corporate business taxes.



### 3.3 Economic Impact of Enhanced Resort Operations

While the barn and saloon will each have significant impacts in the overall economy, they are also expected to generate additional profits that can be reinvested in Stonewall Resort. The previous BrickStreet study found that both the barn and salon operations are expected to generate additional \$872,500 in profits. We estimate that this direct impact would generate an additional \$369 thousand of secondary impact, resulting in a total output impact of \$1.2 million (see Table 3).

These expenditures are expected to support a total employment impact of 15 jobs. These workers are expected to earn a total compensation of \$451 thousand. The overall economic activity associated with the barn operation is estimated to generate more than \$233 thousand in select state and local tax revenues.

**Table 3: Economic Impact of Enhanced Resort Operations**

Type of Impact	Direct	Indirect and Induced	Total
<b>Output (thousands)</b>	\$873	\$369	\$1,241
<b>Employment (jobs)</b>	12	3	15
<b>Employee Compensation (thousands)</b>	\$352	\$99	\$451
<b>State and Local Tax (thousands)</b>	-	-	\$234

Notes: Output, Employee Compensation, and Taxes are measured in 2017 dollar. Tax impact include sales, personal-income, property, and corporate business taxes.



### 3.4 Total Economic Impact of Stonewall Resort's New Facilities

Overall, the BrickStreet study suggests that the proposed Stonewall Resort's New Facilities project is expected generate direct expenditures of about \$2.3 million. Based on this projection, we estimate that this project will generate an additional \$893 thousand of secondary economic impacts, resulting in a total output impact of approximately \$3.2 million (see Table 4).

Further, we estimate that the entire project will generate a total employment impact of 41 workers, who will earn a total compensation of nearly \$1.2 million. As a result of these economic output and employment impacts, the project is expected to generate nearly \$540,000 in select state and local tax revenues correspondingly.

**Table 4: Combined Economic Impact**

Type of Impact	Direct	Indirect and Induced	Total
Output (thousands)	\$2,285	\$893	\$3,178
Employment (jobs)	34	7	41
Employee Compensation (thousands)	\$922	\$238	\$1,160
State and Local Tax (thousands)	-	-	\$538

Notes: Output, Employee Compensation, and Taxes are measured in 2017 dollar. Tax impact include sales, personal-income, property, and corporate business taxes.



## About the Bureau of Business and Economic Research

Since the 1940s, the BBER's mission has been to serve the people of West Virginia by providing the state's business and policymaking communities with reliable data and rigorous applied economic research and analysis that enables the state's leaders to design better business practices and public policies. BBER research is disseminated through policy reports and briefs, through large public forums, and through traditional academic outlets. BBER researchers are widely quoted for their insightful research in state and regional news media. The BBER's research and education/outreach efforts to public- and private-sector leaders are typically sponsored by various government and private-sector organizations.

The BBER has research expertise in the areas of public policy, health economics, energy economics, economic development, economic impact analysis, economic forecasting, tourism and leisure economics, and education policy, among others. The BBER has a full-time staff of three PhD economists and one master's-level economist. This staff is augmented by PhD student research assistants. The BBER also collaborates with affiliated faculty from within the College of Business and Economics as well as from other parts of WVU.

To learn more about our research, please visit our website at <http://www.be.wvu.edu/bber>.

