

An Analysis of the Economic Growth of Moscow And the Regional Economy

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Overview: The fundamental purpose of this study is to update the 2013 GMA report on Moscow's regional economy (Peterson and Pool, 2013). The focus of this report is centered on the 2012-2017 time period. The study was commissioned by the Greater Moscow Alliance (GMA) and completed in October 2017. The principal investigators are Palouse regional economists Steven Peterson and Tim Nadreau.

Executive Summary

Employment Growth of Moscow, Latah County, and the Regional Economy

1. The City of Moscow, while maintaining a strong relationship with the University of Idaho (UI), has begun growing despite slow UI's enrollment and financial growth.
2. Latah County's total employment grew 7% from 2012 to 2017 much higher than the -4.3% from 2001 to 2010 (Census/Emsi).
3. Whitman County and Pullman continue to grow slightly faster than Latah County and Moscow, seeing a 10% cumulative growth from 2012 to 2017, but the gap in growth has been closing over the last four years.
4. Latah County/Moscow's economic base identifies three key drivers of the economy: UI; all other basic industries including agriculture, wood products, high technology manufacturing and services; and Moscow's role as the home and shopping center of the Palouse (Peterson and Pool, 2013).
 - 4.1. Two of these three drivers are clearly growing: Basic industries and services and Moscow's contribution to regional retail trade and residential commuting income.
 - 4.2. Latah County/Moscow has benefited from the growth of many high technology services firms such as Emsi which now has approximately 120 professional employees in Moscow, Populi, Roman Roads, Wovax, Biketronics, TerraGraphics, and others.
 - 4.3. The Moscow Farmers Market is a long-term community success story. The market has experienced rapid growth reaching an estimated 164,892 annual visitors in 2013, up from 84,084 in 2003; a 96% cumulative increase and a 7.0% average annual growth rate. By 2016 the market visitors were projected to reach 176,380 visitors.
 - 4.4. Approximately 20-25 firms have spun-off from the Moscow Farmers Market and established brick and mortar establishments or permanent production facilities locally. (Peterson and Pool, 2016).
 - 4.5. The regional economy has an emerging craft beer and winery cluster now counting over fifteen regionally produced wines and craft beers. Moscow has been developing a craft beer district that now includes Moscow Brewing Company, Rants and Raves Brewery, and Hunga Dunga Brewery. In addition, there are several Moscow restaurants and bars that specialize in serving local and regional craft beers such as the Ale House, Lodgepole, Tapped, and Martins Smokehouse (Peterson and Pool, 2016).

- 4.6. Moscow has a vibrant and robust downtown. The downtown corridor encompasses the area between the northern and southern borders of town and, from east to west, the area between the Latah County Courthouse and Ashbury Street. In that corridor there are at least 344 firms, employing approximately 3,691 workers. The firms represent a variety of economic clusters:
- Health care – 753 jobs
 - Eating and drinking – 632 jobs
 - Retail – 586 jobs
 - Other – 387
 - Government – 385 jobs
 - Finance/insurance/real estate – 291 jobs
 - Engineering and technology services – 233 jobs
 - Manufacturing/Craft Industries – 243 jobs
 - Professional services – 140 jobs
 - Private Education – 41 jobs
- 4.7. The broader Quad County economy economic base includes a strong manufacturing sector in high-technology digital switches, wood and paper products, ammunition and gun manufacturing, a jet boat industry, and other smaller industries. Employment stood at 8,304 jobs in 2017 up from 6,074 in 2012, a 37% increase (BEA/Emsi).

Palouse Retail Trade/Eating and Drinking Leadership

1. Moscow has regained one of the new automobile dealerships that were lost in the previous decade: Quad Cities Nissan.
2. Latah County/Moscow remains the Palouse regional leader in retail trade. The industry grew by 11% (2012 to 2017) to reach 2,498 jobs. Whitman County/Pullman increased by 17% to 2,055 jobs. In the broader Quad County economy, Nez Perce County/Lewiston reached 3,151 jobs in 2017, an increase of 8% and Asotin County/Clarkston increased 10% to 1,428 jobs (BEA/Emsi).
3. Latah County/Moscow's eating and drinking establishment grew 29% to reach 1,318 jobs (2012 to 2017) as compared to Whitman County/Pullman which increased by 14% to 1,356 jobs. Nez Perce County/Lewiston reached 1,392 jobs in 2017, an increase of 9% and Asotin County/Clarkston increased 5% to 496 jobs (BEA/Emsi).
4. Moscow historically has been the shopping center (retail trade hub) of the Palouse, a position the city is maintaining. Total retail sales for 2012 (the most recent Economic Census) were: 1) Lewiston \$670.5 million; 2) Moscow \$314.1 million; 3) Pullman \$222.7 million; and 4) Clarkston \$263.2 million. Lewiston is the retail trade leader in the broader Quad County economy.

Pullman-Moscow Airport Realignment Project

1. It could be argued that the \$119 million Realignment project on the Pullman-Moscow Airport (PUW) is the most important cooperative success story by Latah County, Whitman County, Moscow, Pullman, UI, WSU, and the local business community. Without the project, the PUW airport would have lost commercial air service from noncompliance with FAA standards as well as approximately \$2.5 million per year in federal grants and contracts that are tied to commercial air service.
 - 1.1. The local funding match of about \$9.66 million was met by contributions from the regional governmental entities and from businesses/individuals such as Schweitzer Engineering Laboratories (SEL) and Ed and Beatriz Schweitzer who donated over \$2 million.

- 1.2. Enplanements have increased from 40,759 in 2013 to 61,833 in 2016, a 34% increase in three years. At this rate of growth, the PUW will overtake the Lewiston-Nez Perce County Airport within 5 years (FAA).
- 1.3. The PUW airport annually creates 212 direct jobs in the regional Quad County economy and 300 total local jobs (including the multiplier effects). The five-year construction project (currently underway) will temporarily create 93 direct jobs and 226 total jobs annually (including the multiplier effects) (Peterson, 2016).

Regional Population Growth and Commuting Patterns

1. Moscow's population grew a cumulative 3.4% from 24,499 to 25,322 from 2012 to 2017. Lewiston grew 2.6%, Clarkston 0.8%, and Pullman 6.1% over the same period. Pullman/Whitman County continue to be the regional growth leaders although Moscow/Latah County is closing the gap (U.S. Census/Emsi).
2. Many residents of Moscow work in Pullman or Lewiston and out-commute, an important source of residential income to Moscow. It is estimated that in 2015, 3,144 people who live in Latah County (mostly Moscow residents) commute to Pullman to work. Alternatively, 777 people live in Whitman County (mostly Pullman) and commute to Latah County (Moscow). Net outflow of workers from Moscow were 2,367. In 2015 Latah County gained \$155.7 million in income from these commuting patterns (net). Whitman County lost \$144.1 million (net) (BEA, Flow of Earnings, CA91). Moscow's economy is dependent on commuter income, cross boarder retail trade, eating and drinking visitors, and out of region (mostly university-related) tourism.
3. Moscow's retail trade industry faces several competitive challenges. The "Amazon Effect" i.e. the nationwide trend of substituting online shopping for local shopping by consumers has caused several firm closures in the Palouse Empire Mall, most notably Macys. Pullman is developing a cohesive retail trade center with the additions of Walmart, Pullman Building Supply, and others.

Other Business Leaders and Emerging Trends

1. Founded in 1977, the Moscow Food CO-OP is an important iconic Moscow business that boasted nearly \$12 million in sales in 2016 and purchases over \$300,000 from local producers each year in Latah County. The CO-OP has approximately 122 local workers and a \$3.2 million payroll (Peterson, 2017).
2. The Moscow Food CO-OP, Farmers Market, and many local businesses are supporting a strong local foods sector in Latah County.
3. New Saint Andrews (NSA) has approximately 22 full and part-time faculty/staff with a gross payroll of \$1.1 million and over 165 students. NSA is expanding into the former CJ's building that will serve as a music conservatory with a planned expansion of 200 students and faculty. The facility could ultimately hold 300 full-time students and 44 faculty and staff (NSA, Daily News, 4/17).
4. Northwest River Supply (NRS), a home-grown Moscow company is the world's leading whitewater rafting gear company, employing 102 people with a \$5 million payroll.
5. Moscow has a strong emerging health care sector led by Gritman Medical Center which directly employed 587 full and part-time workers with a 2015 payroll of approximately \$22 million. In 2017 the health care sector (excluding nursing homes) in Moscow

employed 978 direct jobs. Gritman just completed a \$12 million oncology complex that will employ 70 additional employees.

University of Idaho, the Region's Largest Employer

1. The UI is Idaho's Flagship university with the state's largest alumni base (80,000 alumni), economic impacts of \$1.1 billion statewide (Emsi, 2015), and the broadest and deepest range of programs in the state. However, Boise State University (BSU) and the other state universities are catching up.
2. The importance of student growth on the regional economy cannot be understated. In 2015, the average residential UI student created \$44,200 in sales transactions, \$36,500 in wage and salary earnings, and $\frac{3}{4}$ of a job in the community.¹ This assumes that in the long-run university activities and expenditures are dependent on student enrollments (including the multiplier effects).

Growth Challenges of the University of Idaho

3. The UI's dominance in higher education in Idaho is at risk, a fact that remains unchanged since the previous report in 2013. BSU (and ISU) have reached or exceeded par with the UI in many major functional areas such as general undergraduate enrollment. The UI still leads in research dollars, doctoral programs, Ph.D. students, outreach and engagement, and some specialized programs such as WAMI (medical education) and Law.
4. In 2016 BSU had nearly 85% more students than the UI and 69% higher FTEs.
5. Statewide, the UI student population grew cumulatively -1.5% from 2012 to 2016 as measured by October 15 headcounts. Boise State University (BSU) grew 1.3%, Lewis-Clark State College (LCSC) grew 0.9%, and Idaho State University (ISU) grew -1.7%. From 1982 to 2016.
6. The average annual student growth rates between 1982 and 2016 were: UI was under 1%, BSU 2.2%, ISU 1.8%, and LCSC 1.9%. The UI has had a positive headcount growth rate for 2016 and preliminarily for 2017.
7. The UI now ranks 3rd in student headcounts (11,780) behind BSU (23,854), ISU (12,928), but above LCSC (3,909). UI is also ranked third in terms of full-time equivalents (FTEs) behind both BSU and ISU (based on fall October 15th enrollment headcounts).
8. Employing the historical (1982-2016) average annual UI growth rates of about 1.0% into a future forecast, the UI would reach former UI President Nellis target of 16,000 student enrollments in the year 2048.
9. Small changes in growth rates can have large cumulative impacts. If the UI were to grow at about 4.5% annually, it would reach approximately 18,000 students in ten years. Thus, it is possible to reverse the growth patterns quickly if strong positive growth rates can be sustained.
10. Current UI President Chuck Staben has a similar goal to Nellis, to increase UI enrollments 50% by 2025 (Spokesman Review, 2015).

¹ These figures do not include research dollars.

11. BSU now leads the UI in terms of the FY2017 basic state appropriation (\$93.7 million versus \$86.7 million). BSU is virtually tied with the UI in terms total operating budget which includes funding from all sources (UI \$470 million [FY17] to BSU \$469 million).
12. BSU produced more Bachelor's degrees (3,154) than the UI (2,137) in AY 2014/2015, and more Master's degrees (703 BSU to 525 UI). The UI produced substantially more Doctoral degrees (87 research/133 professional practice degrees) to BSU (14 research degrees).
13. The UI had \$95.5 million in research expenditures in FY2015 and \$95.3 million in FY2012, approximately 67% of the total for all Idaho higher education research expenditures. (Unofficially the UI exceeded \$100 million in research in 2016). From 2012 to 2015 UI research expenditures grew 0.14% cumulatively while research expenditures at BSU grew 11.42% and stood at \$30.0 million in 2015. ISU research expenditures declined 15.53% and stood at \$17.5 million (FY2015).

Idaho and the Perception of Moscow

1. Civic leaders and local government officials appear to have become more sensitive to Moscow's image and may have improved the perception of Moscow statewide. The 2013 study identified issues arising from:
 - 1.1. Southern Idaho media bias against both Moscow and the UI.
 - 1.2. Challenges of running a state's largest residential campus.
 - 1.3. Unintentional self-inflicted image problems by the UI and some bad luck; and
 - 1.4. A general lack of awareness by some civic leaders on how Moscow is perceived around the state.
2. Governmental and civic leaders appear have become more focused on economic growth since the previous 2013 study.
3. Asymmetry in news reporting: The University of Idaho is the "big scoop" story for local media while Boise State University is treated like a "protected child" by the Idaho Statesman.
4. There are still public perception challenges. The "killing kitties" viral story: "U of I accused of killing feral cats without approval," Idaho State Journal, 9/16. The public relations related to this story could have been improved.

Moving Forward

1. Good News:
 - a. Moscow's economy is growing. The city has a vibrant entrepreneurial downtown, one of the finest farmer's market in the county, an emerging high technology services industry, a craft brewing district, a strong arts and cultural community, a robust retail trade and restaurant sector, and many other important economic sectors and amenities.
 - b. Moscow has sustained construction activity since 2013 with several new developments in town including, the Identity Moscow project that will add a

154 multi-residential complex and a 3,000 square foot commercial complex (Daily News, 11/11/16).

- c. The Pullman Moscow Airport realignment project is progressing well and will likely transform the airport into the region's largest airport in the near future, surpassing the Lewiston airport.
- d. The University of Idaho has partially restored the Western Undergraduate Exchange (WUE) program for Washington, Oregon, and Alaska that will help improve enrollments.
- e. For the first time since the term of UI President Hoover ended in 2003, the UI is taking both enrollment growth and research growth seriously. The UI is aggressively implementing intensive programs to increase both.
- f. The UI Idaho Arena project is moving forward. The \$30 million, 70,000 square foot facility project will seat 4,700 visitors and include a basketball court, locker rooms, and a 4,200-foot space for group gatherings and meetings center.
- g. There is broad regional cooperation between civic and governmental leaders.
- h. There is a greater recognition of the fragility of the Moscow economy and its dependent on outside factors such as state UI funding, commuting, and retail trade.
- i. Governmental leaders are focused on economic growth that is bipartisan and professional

2. Challenges

- a. Turnover of UI leadership. Bob Kustra is considered to be one of the most successful Boise State Presidents, and has been in office since 2003. Since 2003 the UI has had the following presidents:
 - i. Robert A. Hoover 2003 (final year in office)
 - ii. Gary G. Michael (Interim) 2003–2004
 - iii. Timothy P. White 2004–2008
 - iv. Steven Daley-Laursen (Interim) 2008–2009
 - v. M. Duane Nellis 2009–2013
 - vi. Donald L. Burnett Jr. (Interim) 2013–2014
 - vii. Chuck Staben 2014–present
 - b. News story: "UI president finalist for UNM job, Staben interviewing for University of New Mexico president (Daily News, 10/7/17).
3. There have been some recent increases in both research and students but that growth has not yet been sustained over time.
4. The UI has essentially seen only modest increases relative to the overall economy since its peak in 2003. On the flip side of the equation, if the UI successfully increases its growth goal set by President Staben, the local economy will grow by approximately 4,440 jobs, payrolls will increase by \$162 million, and the population will increase by over 10,000 people. Although unlikely, given the current growth trends, there would be challenges in managing the increased growth.

Conclusions

- 1. Moscow is refocusing on economic drivers directly under their control

2. Moscow's retail trade and commuter income levels are growing
3. Local industries such as Emsi, New Saint Andrews, and the CO-OP are expanding.
4. The University of Idaho is making efforts to increase enrollments and revenues
5. The airport realignment project is on track and progressing well
6. Moscow continues to have a thriving downtown culture with the farmers market and local food production.