
Jordan Cove Project Benefits to Local Tribal Businesses and Tribal Government Budgets

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Prepared for:
Jordan Cove LNG, LLC

ECONorthwest
ECONOMICS • FINANCE • PLANNING

KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201

Introduction

Four tribes operate casinos, RV parks, hotels, and restaurants in the four counties where the Jordan Cove Energy Project (JCEP) will build a pipeline and terminal. These tribal businesses generate much needed money for tribal governments and members.

Jordan Cove asked ECONorthwest to estimate how the hospitality and entertainment businesses owned by the tribes would be impacted by the construction and operation of the terminal and pipeline. While this analysis focuses on the four tribes in the four counties where the pipeline and terminal will be built, it does not suggest that other tribes will not benefit from the increase in economic activity realized throughout.

ECONorthwest considered two sources. First, JCEP would bring workers to Coos, Jackson, Douglas, and Klamath counties. These workers from outside the four counties will spend money at tribal casinos, hotels, restaurants, RV parks, and shops. Second, local residents that either work for the JCEP or whose incomes benefit from higher pay due to greater local business will spend some of their earnings at tribal businesses as well, adding revenue for tribal governments.

Tribal Businesses

Four tribes have businesses in the four counties where the JCEP will be built. These businesses will see a large influx of visitor spending along with increased local spending. Their tribal governments and members will benefit from the increased spending.

The tribes are the Cow Creek Band of Umpqua Tribe of Indians (Cow Creek), the Coquille Indian Tribe (Coquille), the Klamath Tribes (Klamath), and the Confederated Tribes of the Coos, Lower Umpqua and Siuslaw Indians (CTCLUSI).

The Cow Creek, Coquille, and the Klamath have both gaming machines and tables at their casinos. The CTCLUSI tribe have a casino in Coos Bay with gaming machines only. The CTCLUSI hotel, casino, and restaurants in Florence, which is outside the four affected counties, are not included in this analysis.

The Cow Creek operate two hotels in the four affected counties. The Coquille and Klamath each have one hotel.

Two tribes have commercial RV parks. The Klamath currently have 30 RV sites in its casino parking lot.

This analysis uses only publicly available data. ECONorthwest estimated the impacts to the four local tribes using statewide tribal casino statistics from the OTGA report supplemented by tribe-specific public data available online. Table 1 is a summary of tribal gaming, hotel, RV, and restaurant capacities in the four affected counties.

Table 1: Tribal Businesses in the Four Counties Affected by the JCEP

Tribes	City/County	Gaming Machines	Gaming Tables	Hotel Rooms	Tribal RV Sites Near Casino	Restaurant & Lounge Seats
Cow Creek*	Canyonville/Douglas	950	19	373	191	984
Coquille	North Bend/Coos	692	8	203	102	435
CTCLUSI	Coos Bay/Coos	250	-	-	-	20
Klamath	Chiloquin/Klamath	346	3	76	30	50
Four County Total		2,238	30	652	323	1,489
Outside the four affected counties		5,233	99	893	251	2,945
Tribal business totals in Oregon		7,471	129	1,545	574	4,434
Share of each in four counties		30%	23%	42%	56%	34%

* *The Cow Creek have a 73-room Holiday Inn Express in Canyonville and the 300-room Seven Feathers Hotel.*

Data and Assumptions Used

The local labor income impacts were taken from June 12, 2017 economic impact studies by ECONorthwest for the LNG Terminal and Pacific Connector Gas Pipeline (PCGP). That is, earnings from residents in the affected counties who would work or otherwise see higher pay because of the JCEP.

We calculated benefits to tribes that would come about from overnight stays by JCEP workers and due to the general increase in personal incomes in the local economy resulting from the JCEP.

The construction and operations of the JCEP will have positive impacts on local labor income. Labor income is the main component of personal income. When personal incomes rise, people spend more. This affects local and tribal businesses. Tribal and local businesses see higher sales. As a result, tribes have more money to spend on programs for their members and throughout the community.

Data on tribal gaming are for the year 2015. They come from “*The contributions of Indian Gaming to Oregon’s Economy in 2014 and 2015,*” (OTGA) by ECONorthwest on behalf of the Oregon Tribal Gaming Alliance. Since we do not have financial data for individual tribes, we used the Oregon statewide averages from the OTGA report and estimated the gaming, lodging, and other revenues of the tribes in the four counties in proportion to their shares of casino gaming machines, RV sites, and hotel rooms. While statewide averages do not account for local area spending patterns, and thus may cause the numbers to be conservative, it does assure accountability.

In some cases, we supplemented the 2015 data from the OTGA with more current statistics on the numbers of hotel rooms and gaming machines at local casinos from the website Casino City. ECONorthwest went to each tribe’s websites to find the number of tribally owned RV sites.

We used inflation index data from the Minneapolis Federal Reserve Bank to adjust the relevant numbers in the OTGA for hotels, RV parks, food & beverage, and other revenues from 2015 dollars to 2018 dollars.

Personal income data came from the U.S. Bureau of Economic Analysis. Rising labor income will add to the total personal incomes of local residents and some of that money will be spent at tribal businesses.

Ratios of upper midscale hotel room sales to the revenues of food & beverage and other operated departments are from the 2018 HOST Annual survey published by STR Global. The operating profit margin of hotels also came from the HOST study.

To estimate the operating profit margins of Tribal casinos, we used the 2018 operating profit margin of Red Rock Resorts—a major publicly traded local casino company with tribal operations. The gross profit margin for RV parks came from NY University’s Stern Business School estimate for recreational industries published in January 2019.

The price elasticity of demand for midscale hotels came from a 2012 economics paper entitled, "Hotel Industry Demand Curves," published in the Journal of Hospitality Financial Management. ECONorthwest estimated the price elasticity of demand for RV parks by averaging values observed at competing parks on the Oregon coast.

ECONorthwest made two assumptions for this analysis. The first was a projection of the percent of Tribal hotel and RV park vacancies would be filled during construction by construction managers and workers. A realistic occupancy rate ranging from 50 percent to 80 percent was used for calculations. We also assumed that revenue from food & beverage sales from RV site nights would be half of what they would be from hotel room nights, due to RV guests typically having their own cooking facilities.

Results

The analysis finds that tribal business revenues will increase \$17,221,590 a year during the construction phase of the JCEP if construction workers and managers only occupy 50 percent of the hotel rooms and RV sites that would otherwise be vacant. After expenses, there would be \$6,230,101 that Tribal governments could use for tribal programs for their members. These benefits will accrue to tribes and tribal members in each of the four-plus years that construction occurs.

Table 2: Annual Tribal Business and Government Impacts, 2018\$

Annual Impacts on Tribal Businesses and Governments, 2018\$	During JCEP Construction Years		Operating Years
	Assuming 50% of Vacancies Filled	Assuming 80% of Vacancies Filled	
Annual Sales Revenue:			
Net gaming revenues	\$1,762,751	\$1,762,751	\$328,485
Hotel rooms	11,743,828	19,552,103	89,731
RV sites	1,980,876	3,569,106	1,175
Food & beverage	1,419,898	2,484,709	61,909
Other	314,237	541,164	15,277
Total Sales Revenue	\$17,221,590	\$27,909,833	\$496,577
Profit to Tribal Governments	\$6,230,101	\$9,761,207	\$268,069

Should 80 percent of vacancies be taken up by construction workers and managers, annual sales at the four tribal businesses will increase \$27,909,833. Tribal governments would realize \$9,761,207 a year, as a result.

Tribal impacts during construction would be greater if the tribes expand lodging capacity, such as by adding RV sites, and expanding food services, such as adding food trucks that would go out to construction sites.

Once operating, tribal businesses would experience \$496,577 higher sales revenues and tribal governments would have an additional \$268,069 in revenue annually.

Impacts of Tribal Governments

The tribes have many unmet needs that could be addressed by the increases in their tribal government budgets that would occur with the development and operations of the JCEP. Among them are public safety and reservation housing.

In 2015, according to the OTGA, 5 percent of tribal support derived from casinos went to public safety. **Higher gaming activity gives tribal government more to spend on public safety programs.**

In addition to the 5 percent of increased tribal revenue for public safety coming due to the JCEP, the project will also boost fire and public safety in the broader communities where many tribal members live. This is because the PCGP will pay over \$1.2 million a year in property taxes to area fire and emergency services districts.

According to the OTGA report, Oregon tribes spent 14.1 percent of their earnings from gaming on public works and housing in 2015. Yet, more is needed towards providing better housing for tribal members. **It is likely that a good share of the higher tribal revenues resulting from the JCEP's impacts will flow towards more and better reservation housing.**

Impacts on Tribal Service Areas

Increased gaming and other business earnings due to the JCEP will also lead to the tribes being able to dedicate more for charitable purposes in their service areas. A service area is a geographic area, designated by the U.S. Bureau of Indian Affairs, where financial assistance and social services are provided.

Three of the four tribes operating casinos have community benefit foundations. These foundations issue grants to charities in their service areas, which benefit both tribal members and the communities at large. The foundations receive fixed shares of gaming revenues. In 2015 all Oregon tribal gaming foundations granted over \$7.6 million. The increase gaming due to JCEP will increase the potential that more grants will be issued. How much more each service area would receive in grants depends on the how much more gaming occurs at each tribe's casinos.

In addition, according to the OTGA, tribal casinos directly donated \$630,326 to area charities in 2015. Money from charitable donations and grants go towards local food banks, emergency social services, mental health programs, shelters, and the like. The size of donations depends in large part on how busy the casino businesses are.