

2. Executive Summary

The United States Congress designated Interstate 73/74 (I-73/74) as a corridor of national significance, connecting the Great Lakes region with the Carolinas' coast. In South Carolina, I-73 traverses the northeastern part of the state through Dillon, Marion, Marlboro, and Horry counties. Those four counties constitute the I-73 Corridor in South Carolina. This study, produced by Chmura Economics & Analytics,² evaluates the economic impact of the proposed I-73 in South Carolina, with the understanding that the majority of the economic impact will stay in the I-73 Corridor.

The I-73 Corridor of South Carolina is made up of four counties.

In this study, the I-73 Corridor region of South Carolina is defined as the following counties: Dillon, Marion, Marlboro, and Horry. The economy of the I-73 Corridor in South Carolina is impacted by two separate regions. Dillon, Marion, Marlboro, and the western part of Horry County are largely rural. In the eastern part of Horry County is Myrtle Beach, a major tourism destination in South Carolina.

Economic literature indicates that highway networks are beneficial to regional economies.

Economic literature on the relationship between highway and economic development generally concludes that the following economic benefits are associated with a highway network:

Travel efficiency. The construction of a highway can reduce travel time for business and residential areas. Trade, tourism, manufacturing, and construction sectors will benefit more from a new highway than other sectors such as health care or education.

Attraction of service businesses. Businesses such as hotels, gas stations, retail stores, and restaurants often cluster around interstate interchanges.

Strategic economic development. I-73 can potentially attract businesses such as distribution centers in rural parts of the I-73 Corridor. In addition, the proposed I-73 would likely accelerate the development of the proposed South Atlantic International Logistic Center (SAILC) in Western Marion County. The 3,000-acre site will be located eleven miles from I-95, and less than seven miles from the proposed I-73. When fully built, the SAILC will contain 15.0 million square feet of industrial, commercial, and manufacturing space; and will directly create 15,000 jobs in northeast South Carolina.³

Boost to tourism business. Several case studies have found that improved access to tourist attractions (in this case, Myrtle Beach) can provide significant increases in visitor volume and associated spending in the area.

² Chmura Economics & Analytics, headquartered in Richmond, Virginia, is an economic consulting firm specializing in applied economics. Since 1999, the firm's economic impact studies have centered on many different topics including highways, airports, tourism, and mixed-use developments. Further details are available at www.chmuraecon.com.

³ Source: Summary of the Master Plan for the South Atlantic International Logistic Center (SAILC). Prepared for Marion County Economic Development Commission, by CH2MHILL, August, 2009.

In the past four decades, the economy in the I-73 Corridor performed better than the state average in population and employment, largely due to rapid growth in Horry County. The other three counties lagged behind the state average.

From 1970 to 2009, the population in the I-73 Corridor region increased 2.1% per year, compared with statewide growth of 1.5%. The population in Horry County grew at 3.5% per year, while Dillon, Marion, and Marlboro counties experienced stagnant population growth.

From 1970 to 2008, the I-73 Corridor experienced 2.7% annual average employment growth, compared to 2.0% for the state. Employment in Horry County expanded 4.1% per year, while employment in the other three I-73 Corridor counties experienced limited growth or even decline.

In 2008, per capita income in all localities of the I-73 Corridor region was lower than the statewide average. However, per capita income growth in the past four decades has been keeping pace with the state average.

I-73 can provide \$120.8 million in annual cost savings for current businesses as a result of improved travel efficiency.

A new highway can reduce travel time for regional businesses, thus producing cost savings and improved productivity. On average, I-73 can provide a 28% time-savings for businesses and motorists using the road. The total cost savings for the region is estimated to reach \$120.8 million in 2030.

In 2030,⁴ I-73 can support 126 service businesses in the I-73 Corridor. Those service businesses can subsequently maintain 3,205 jobs in South Carolina with a total annual economic impact of \$401.9 million per year starting in 2030.

In 2030, it is estimated that I-73 can support approximately 126 businesses. This includes 42 motels/hotels, 36 gas stations, 28 fast food restaurants, and 20 full-service restaurants around the interchanges along I-73. The direct output of these businesses is estimated to be \$259.1 million in 2030 and each year thereafter with ripple effects of \$142.8 million. In terms of job creation, service businesses will directly employ 2,231 workers in the I-73 Corridor, with a ripple effect of an additional 974 jobs per year in South Carolina. Many of those ripple economic impacts will also occur in the I-73 Corridor.

The newly built I-73 may attract retail distribution centers, each adding 286 jobs and averaging \$31 million in economic impact in 2030.

I-73 may attract retail distribution centers. An average distribution center employs about 200 workers and would directly generate about \$19 million in direct economic output in 2030. Adding ripple effects, the total economic impact of a distribution center can reach \$31 million in output and 286 jobs in 2030.

⁴ The year 2030 is used in this report because it coincides with the year the traffic study forecast was performed.

I-73 will greatly improve the access to the Myrtle Beach area, which can boost tourism by 7.1%. That translates into an additional \$909.9 million direct tourism spending in the Myrtle Beach area.

The \$909.9 million incremental tourism spending can generate ripple effects of \$518.7 million in South Carolina, reaching total impacts of \$1.4 billion per year in 2030. In addition, incremental tourism spending can support 18,856 jobs in South Carolina, with the majority of them located in the Myrtle Beach area.

After I-73 is completed, it is estimated that the state of South Carolina can receive \$86.1 million in annual tax revenue while fiscal benefits for local governments generate \$43.2 million per year.

The state is expected to collect sales, gasoline, corporate, and personal income taxes from service businesses, potential distribution centers, and incremental tourism spending. State tax revenues are estimated to be \$86.1 million per year in 2030. For local governments, I-73 is projected to contribute \$43.2 million in revenue per year in 2030, in the form of local-option sales tax, hospitality, accommodation, and admission taxes.

Other benefits of I-73 are better market access, increased appeal for business relocations, faster population growth, safer travel, and an improved quality of life for residents. Rural areas also benefit from thousands of jobs created each year during the construction phase

I-73 will benefit manufacturers in the I-73 Corridor region by providing easier access to markets. The presence of an interstate highway can increase the appeal of the region to expanding and relocating firms, especially those in the mining, manufacturing, and distribution sectors. I-73 will also have a positive effect on population growth in the region. Other benefits include fewer accidents and improved safety on the roads.

As the site of most of the construction activities, the rural areas of the I-73 Corridor (Marion, Dillon, Marlboro, and western Horry) will also benefit from the construction impact. The construction activities can add 7,720 new jobs per year in the region, for five years.⁵

There are both upside and downside risks for economic projections made in this study.

The analysis of the economic impact of I-73 attempts to project the regional economy more than twenty years from now based on a certain set of assumptions. The projection is subject to forecasting risks, as actual events may change those assumptions. Unpredictable events create the potential for either larger (upside) or smaller (downside) effects than indicated here. For example, an oil crisis and subsequent rise in gas prices could reduce the traffic on the proposed I-73 and reduce the economic impact. Imposing tolls on I-73 could also reduce the use of the road and the resulting economic benefits. However, the expansion of a large manufacturing firm to the area that benefits from the new interstate would cause the projections in this report to err on the low side.

⁵ Schunk, Donald. 2009. *The Economic Impacts of I-73 Construction: A Focus on Job Creation*. BB&T Center for Economic and Community Development, Coastal Carolina University

The economic impact of I-73 is summarized in Table 2.1.

Table 2.1: Annual Economic Impact Summary of I-73 on South Carolina in 2030					
	Total Economic Impact (\$MM)	Total Employment Compensation (\$MM)	Total Job Creation	State Tax Revenues (\$MM)	Local Tax Revenues (\$MM)
Cost Saving (Productivity)	\$120.8				
Roadside Services	\$401.9	\$138.5	3,205	\$23.1	\$11.4
One Distribution Center	\$31.1	\$14.5	286	\$1.7	\$0.0
Tourism	\$1,428.6	\$384.1	18,856	\$61.3	\$31.8
Total 2030	\$1,982.4	\$537.2	22,347	\$86.1	\$43.2

Source: Chmura Economics & Analytics