The Virginia Capital Trail spans almost 52 miles from Richmond, Va., to Jamestown, Va. In 2018-2019, visitors to the trail spent an estimated $6.1 million in the state.

Investing in the Great Outdoors

Some rural and small-town communities see potential for outdoor recreation to reinvigorate their economies

BY TIM SABLIK

While the appeal of Mother Nature has always been self-evident to enthusiasts, the COVID-19 pandemic brought in new converts. Once it became clear that the virus spread less easily in open spaces, and with many indoor options shut down, outdoor recreation became a compelling option for anyone looking to escape their home or apartment in 2020.

In addition to visiting state parks and trails in record numbers, many Americans moved from cities to suburbs, small towns, and rural places in search of more open spaces. According to a March 2023 report from Harvard University's Joint Center for Housing Studies, change-of-address requests through the U.S. Postal Service were 22 percent higher in March 2020 compared to a year earlier, and 14 percent higher in April 2020 than in April 2019. States that gained from domestic migration in 2020-2021 included places with desirable climates and outdoor recreation opportunities, such as the Sun Belt and the Mountain West.

Even before 2020, there was evidence that natural amenities and the general quality of life in a community were important factors in people's decisions to visit or move to a place. Many believe that the pandemic and the rise in remote work has reduced the importance of proximity to employers when choosing where to live, making a place's outdoor amenities even more significant. But is investing in outdoor recreation a good strategy for a community's long-term economic growth?

UNTAPPED POTENTIAL

In 2022, according to the U.S. Bureau of Economic Analysis (BEA), the value added from the outdoor recreation economy accounted for 2.2 percent — $563.7 billion — of the U.S. gross domestic product (GDP). Compared to the economy as a whole, the outdoor recreation sector experienced rapid growth in recent years. Inflation-adjusted, or real, GDP for the outdoor recreation sector increased 4.8 percent in 2022 (the latest data available), down from an astonishing 22.7 percent growth in 2021 but still greater than the overall U.S. economy's growth of 1.9 percent.

The BEA divides the outdoor recreation economy into three broad categories: conventional activities, which includes things like cycling, boating, and hiking; other activities, such as gardening or outdoor concerts; and supporting

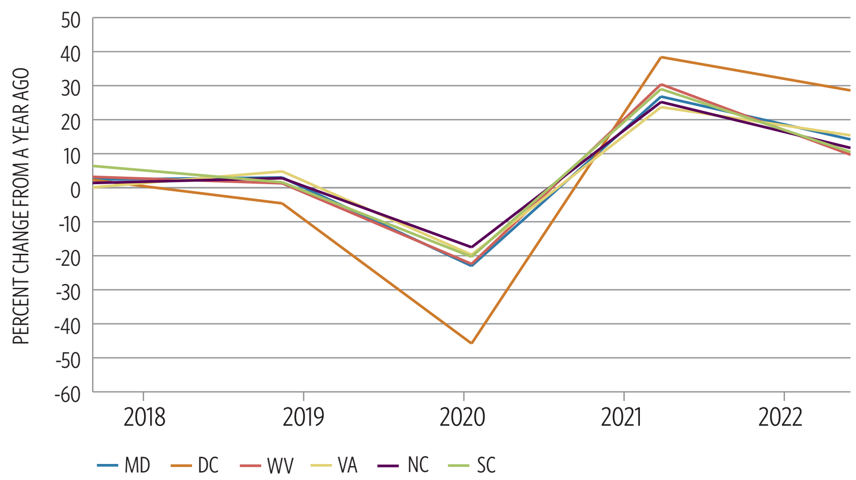
IMAGE: JESS PETERS

activities, such as construction and travel and tourism. This last category accounted for nearly half of the value added from outdoor recreation in 2022 at 46 percent. A big part of that supporting activity is tourism. The arts, entertainment, recreation, accommodation, and food services industry generated about a quarter of the overall national value added by outdoor recreation, or $144.5 billion.

While some states have always attracted tourists with their outdoor offerings, the COVID-19 pandemic spurred many people to explore options closer to home. In Virginia, state parks saw roughly a million more visitors in 2020 than in 2019. That traffic has not slowed down, even as more widespread travel has opened up. According to a recent presentation to the Virginia Senate Finance and Appropriations Committee by Virginia Department of Conservation and Recreation Director Matthew Wells, the state's parks had just over 8 million visitors in 2023 compared to 6.9 million in 2019. From 2017 to 2019, outdoor recreation consistently contributed between $9 billion and $10 billion annually to the Virginia economy. In 2022, that amount grew to $11.35 billion, or 1.7 percent of the state's GDP. (See chart.)

Outdoor Recreation Economy Growth in the Post-Pandemic Era

GDP Value Added in Fifth District States



NOTE: Statistics isolate the economic activity associated with outdoor recreation spending and production in a state's economy.
SOURCE: U.S. Bureau of Economic Analysis, Outdoor Recreation Satellite Account

Capturing those economic benefits, particularly from visitors, takes careful planning. Many outdoor recreation activities take place in public spaces that may be maintained through local taxes. But by their open public nature, those spaces can be accessible to non-taxpaying visitors as well.

"You need to design fiscal policies to capture some of the economic activity from visitors to invest locally in order to sustain a strategy around outdoor recreation," says Santiago Pinto, a senior economist and policy advisor at the Richmond Fed whose research includes studying regional economics.

In its Rural Economic Development Toolkit, the Outdoor Recreation Roundtable (ORR), a national business coalition that promotes outdoor recreation activities, advises communities on how to capture the value from outdoor tourism. That includes charging fees for out-of-state visitors to parks or making use of overnight lodging taxes. Communities are also encouraged to think about the entire network of businesses that could surround outdoor recreation destinations, such as restaurants, breweries, outfitters, and hotels.

"The places that have been most effective at building an outdoor recreation economy are thinking about the whole value chain," says Chris Perkins, vice president of programs at the ORR. "From the moment someone enters to pursue an outdoor recreation opportunity, they're receiving marketing about all the community amenities."

The Virginia Capital Trail, a nearly 52-mile-long paved path for walking and biking that follows the James River from Richmond to Jamestown, is one example of this approach. Along the trail, which is free to access, visitors can find restaurants, stores, restrooms, campsites, lodging, and bicycle repair stations. A 2019 economic impact study conducted by the University of Richmond in partnership with the Institute for Service Research found that visitors to the Virginia Capital Trail in 2018-2019 spent an estimated $6.1 million in the state, mostly within a 50-mile radius of the trail.

ATTRACTING NEWCOMERS

Tourism is just one important way communities can leverage the economic potential of the outdoors. Some of those visitors may turn into long-term residents.

"Tourism is the red carpet to residency," says Danny Twilley, assistant vice president of economic, community and asset development for West Virginia University's Brad and Alys Smith Outdoor Economic Development Collaborative (OEDC). Utilizing the university's intellectual and social capital, the Smith OEDC helps communities in the state leverage their outdoor assets to improve their economy and quality of life.

There are many factors that people consider when deciding where to live, including the job or business environment and the community's quality of life. Economists define quality of life by the various amenities a community offers residents and measure it by how much households are willing to pay in terms of higher housing prices or lower wages to gain access to those amenities. Some types of amenities are generated by density, such as the availability of restaurants and cultural events in densely populated cities, while outdoor amenities are naturally occurring and are often enhanced by lower population density.

In the case of rural and small towns, there is growing evidence that outdoor recreation can be a significant driver for in-migration. A 2019 paper by Headwaters Economics, a nonprofit research group focused on community development and land management, found that between 2010 and 2016, micropolitan counties (places with at least one urban area with between 10,000 and 50,000 residents) lost an average of 15.6 residents per 1,000 if their economy wasn't focused on outdoor recreation. But recreation-based micropolitan counties gained an average 21.6 residents per 1,000 over the same period. Nonrecreational rural counties lost 19.9 residents per 1,000, while recreation-based rural counties gained 1.3 residents per 1,000. (Rural counties are defined as ones that don't have an urban area with at least 10,000 residents.)

Historically, the advice for rural and small towns looking to grow has been to focus on improving the business environment to attract job-generating firms. In a recent Richmond Fed *Economic Brief*, Pinto documented that the evidence on the effectiveness of such incentives has been mixed. Place-based policies to attract firms can reduce poverty and increase employment, but they can also push existing residents out and create negative spillovers on surrounding localities.

More recently, researchers have been investigating whether investments in a community's quality of life, such as outdoor recreation, could be part of an effective and sustainable growth strategy. In a 2023 article in the *Annals of Regional Science*, Amanda Weinstein of the Center on Rural Innovation and Michael Hicks and Emily Wornell of Ball State University found that quality of life was more important to the success of micropolitan areas than the business environment. Having a higher quality of life was associated with greater population growth, higher employment, and lower poverty rates. The COVID-19 pandemic reinforced these trends, as many Americans moved from dense cities to more open spaces. (See "Paid to Relocate," *Econ Focus*, Third Quarter 2022.)

"COVID was traumatic in so many ways, but one thing it did was make us all stop what we were doing and take time to revisit what's important to us," says Andrew Williamson, director of outdoor economic and community development for the Smith OEDC. "Many people rediscovered an appreciation for being outdoors, whether it's a local park or the wilderness in the backcountry. You couple that with the ability to now live and work from anywhere, now West Virginia has a huge opportunity."

DIVERSIFYING THE LOCAL ECONOMY

For decades, West Virginia's economy has relied heavily on resource extraction, chiefly coal. Energy extraction jobs often pay very well, but the industry is subject to economic booms and busts. (See "Navigating Energy Booms and Busts," *Econ Focus*, Fourth Quarter 2018.) Now, economic development organizations like the Smith OEDC are exploring whether investments in outdoor recreation could help extraction-based communities build more diverse, less volatile economies.

"We believe that when you invest in people and you invest in place, the companies may come and go, but the people in the community will stay," says Twilley. "For me, this is the most important thing we could ever do for West Virginia, because they've seen the extraction of resources and how when companies downsize or leave, jobs leave, then people leave. Investing in community and the outdoor economy can help stabilize that trend."

Both Twilley and Williamson stress that this strategy is not a quick fix. It can take many years for investments in outdoor recreation and the surrounding community to bear fruit. A recent report from Headwaters Economics exploring the use of outdoor recreation to diversify the economy of resource-dependent communities also emphasized the importance of setting realistic expectations.

"Jobs in the resource extraction industries tend to be high-paying," Michael Tolan, the report's author, wrote. "It is not reasonable to expect outdoor recreation to 'replace' these jobs overnight."

Still, jobs in the outdoor recreation industry are growing fast. According to the latest BEA data, both outdoor recreation employment and compensation increased by a higher percentage in 2022 than the U.S. economy overall. Outdoor recreation employed nearly 5 million workers, 3.2 percent of the overall workforce, in 2022. But will the jobs and activities that support outdoor recreation necessarily facilitate the development of a dynamic and innovative local economy? That remains to be seen.

"The people who are attracted to a place because of its outdoor amenities may or may not bring entrepreneurial skills and ideas to the area," says Pinto. "Nonetheless, the resulting population inflows may create a ripple effect, stimulating the local development of outdoor-related businesses and other complementary activities and services."

WHAT DOES IT TAKE TO SUCCEED?

First and foremost, a community looking to develop its outdoor recreation economy needs to have some outdoor amenities to work with. Sometimes this can mean taking a fresh look at features that have long been there. For example, the New River Gorge in West Virginia was designated as a national river in 1978, and locals had long taken advantage of the opportunities it offered for hiking, climbing, and rafting. In 2021, it became the country's newest national park, and some saw an opportunity to do more.

Corey Lilly, a 10th generation West Virginian and outdoor enthusiast who competed professionally across the country as a skier and kayaker, returned to his hometown of Beckley to head up its office of outdoor economic development. Like many communities in the state, the city of Beckley (population of around 16,000) was known for coal mining. Its proximity to the new national park presented an opportunity to reinvent itself as an outdoor recreation destination. With Lilly's leadership, the community has launched the Beckley Outdoors plan with the goal of establishing the city as "a premier outdoor destination that celebrates southern West Virginia's Appalachian heritage."

Having a local community champion like Lilly is a necessary ingredient for building up an outdoor recreation economy, according to the ORR's Perkins.

"Ideally, they are someone who has the respect of a wide variety of stakeholders within a community," he says. "They are willing to show up to the town council or community commissioner meeting to build relationships and make the case for the project. That can't be parachuted in from the outside. It's community-level relationships that make this happen."

In addition to building local buy-in, it can also be helpful to have coordination and support at the state, regional, and national levels. Environmental conservationists and outdoor recreation advocates in Virginia joined forces to form the Our Virginia Outdoors coalition in 2021, which advocates for dedicated, consistent state funding for natural resources. Such funding would both help preserve those resources for future generations and better capitalize on the economic potential of outdoor recreation.

"Virginia has 42 state parks and 66 natural area preserves, a good portion of which are open to the public. And yet, when you look at the state budget and ask whether we are putting money toward this as a priority, the answer is a resounding 'no,'" says Mikaela Ruiz-Ramón, the public funding and policy manager for the Virginia chapter of the Nature Conservancy, a global nonprofit environmental group.

The Virginia Department of Conservation and Recreation reports that state parks alone have accumulated a roughly $300 million backlog of deferred maintenance. This includes projects like improving the accessibility of parks, repairing and modernizing campgrounds and other facilities, and maintaining trails, roads, and bridges.

"There is so much demand for programming and overnight stays at state parks that isn't met because money hasn't consistently been put in for cabins, camping facilities, and other basic utilities like electricity, plumbing, and roads in and out of the parks," says Ruiz-Ramón.

Nationally, 21 states have established offices of outdoor recreation to guide investments in outdoor resources and improve state competitiveness for funding and talent. In the Fifth District, North Carolina, Virginia, and Maryland have offices of outdoor recreation, all of them established in the past seven years. Many of these offices also work together to share best practices.

"If you're biking or paddling down a river, you're not paying attention to state lines," says Ruiz-Ramón. "It's a collaborative space because of the nature of the business."

The Confluence of States, managed by Maribel Castañeda, is a bipartisan coalition of 17 states dedicated to growing the outdoor recreation sector. North Carolina was a charter member when the coalition formed in 2018; Virginia joined in 2019, and Maryland in 2022. Members agree to support common principles around conservation and stewardship, education and workforce training, economic development, and public health and wellness.

"We're in competition with each other, but at the end of the day, we all know how important outdoor recreation is for every state," says Castañeda.

The Appalachian Regional Commission (ARC) is a federal-state partnership established in 1965 to strengthen the economy of the region, which includes all of West Virginia and parts of Maryland, Virginia, North Carolina, and South Carolina. (For more on the history of ARC, see "Connecting a Region Apart," *Econ Focus*, Second Quarter 2022.) One of ARC's current investment priorities is enhancing the regional culture and tourism of the counties it serves, including through outdoor recreation. ARC funding helped St. Paul, a former coal and railroad community in southwest Virginia with a population of under 1,000 people, develop outdoor recreation and tourism opportunities centered on the Clinch River that runs alongside its downtown.

SUSTAINABLE DEMAND?

In the case of some communities, their proximity to natural amenities for outdoor recreation can also create challenges for building the infrastructure needed to support visitors and new residents. In a 2021 report, the Urban Institute noted that rural communities situated near state or national parks often lack services such as banks, health care facilities, public libraries, schools, and transportation compared to other communities. The wide open spaces needed for outdoor recreation can limit the land available for building, which can put pressure on housing prices as a community grows. And when it comes to housing, the goals of increasing tourism and residency can be in conflict, with an influx of tourists leading to an uptick in second homes and short-term rentals that price out residents.

"Oftentimes communities are so eager to attract external investment that they try to be everything to everyone, and they forget about their core stakeholders, which are their local community and workforce," says Perkins. "It's important to plan ahead and find the right balance between bringing in people from the outside and investing locally to grow at a sustainable rate."

Communities considering reorienting their local economy around the outdoors may also wonder if the surge in demand for fresh air brought about by the pandemic will persist long enough for such a development strategy to pay off. While no one can predict the future, there are some indications that the ways we live and work have shifted in lasting ways.

The prevalence of working from home has come down from the highs seen in the spring of 2020, and workers are returning to the office, but the share of days worked from home remains well above pre-pandemic levels as many workplaces have settled into a hybrid schedule. Many parks, such as those in Virginia, continue to report record attendance. The increasing number of states establishing offices of outdoor recreation demonstrates a growing commitment to investing in natural amenities. And health care professionals are increasingly touting the mental and physical health benefits of being outside.

"Taking a walk outside has only ever made me feel better than before I started, and I think more people are recognizing the same thing," says Perkins. "That bodes well for this generation to be long-term recreation participants and advocates." **EF**

READINGS

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