



SOUTHWEST ENTERPRISE ZONE – 2011 ANNUAL REPORT

Overview

The Region 9 Economic Development District of Southwest Colorado Inc. (Region 9), is a nonprofit, 501 (c) 6 public private partnership that promotes and coordinates economic development efforts throughout southwest Colorado. Region 9 covers five counties, ten municipalities and the two Native American Tribes in Colorado (Ute Mountain Ute and Southern Ute). Incorporated in 1989, Region 9 is led by a 26-member board of directors; 17 from local governmental jurisdictions and 9 from the private sector. Programs include business loans, staffing the Regional Transportation Planning Commission and the Southwest Colorado Council of Governments, and producing the Comprehensive Economic Development Strategy (CEDS) as well as other data reports. Region 9 also serves as the Southwest Enterprise Zone administrator.

Conditions and business environment

Southwest Colorado has been hit by the national recession and Region 9 has seen an increasing number of defaults, loan modifications and business inquiries in its Business Loan Program. The total number of tax credits claimed throughout the Southwest Colorado Enterprise Zone is down in four of our five counties from 2010, demonstrating that our region is not yet recovering. There are significant amounts of public and tribal lands in our communities, restricting some business opportunities but creating others. The Ute Mountain Ute and Southern Ute Tribes are major economic forces with their diversified enterprises and provide employment for the regional economy.

Archuleta County is comprised of 34% private lands, 14% tribal lands and 52% of the County is within the San Juan National Forest. Archuleta has long been a destination for tourism and an attractive second-home market, although current economic conditions have harmed the real estate, construction, and tourism sectors. The 2011 numbers show a gain of 53 jobs from that total number of businesses (41) claiming tax credits. Both of these numbers are up from 2010, but the amount of tax credits are down. All of Archuleta County is a designated an Enhanced Enterprise Zone, with the exception of the Southern Ute Reservation lands, which have been excluded following the wishes of the Southern Ute Tribal government.

Dolores County is comprised of 42% private lands and 58% state and federal lands. The county seat, located in the western portion of the County, reflects an agricultural economy. The eastern portion of the County includes Rico, which has become a bedroom community for the ski town of Telluride (located in San Miguel County). All of Dolores County is a designated Enhanced Enterprise Zone and consistently has one of the highest unemployment rates in the State. The utilization of Enterprise Zone Tax credits was recorded by only 6 businesses with \$12,697 in tax credits; about a fourth of the 2010 amount. There was a loss of 9 jobs in 2011 from those six businesses.

La Plata County is comprised of 41% private lands, 18% tribal lands, and 41% state and federal lands. La Plata County is the regional job center. Open space has been identified as an important asset to La Plata County residents - therefore agricultural parcels, as well as some distressed census tracts within the county, have been designated as Enterprise Zones. La Plata's tax credit data show 106 businesses participated, creating 100 jobs and receiving a total \$479.6 thousand in tax credits. The number of businesses increased, but the number of jobs and tax credits declined. The Southern Ute Reservation lands in La Plata have been excluded from the EZ following the wishes of the Southern Ute Tribal government.

Montezuma County is comprised of 30% private lands, 33% tribal (Ute Mountain Ute), and 37% state and federal lands. All of Montezuma County is a designated Enterprise Zone, with the exception of the Ute Mountain Sacred area, which has been excluded following the wishes of the Ute Mountain Ute Tribal Government. However, based on our most recent data, the County no longer meets distress criteria in which Enterprise Zone designation is measured. This will be looked at when EZ boundaries are reviewed and Montezuma boundaries are sure to be affected. Ninety-eight businesses created 85 jobs in 2011, totaling fewer businesses but more jobs than 2010. Montezuma's tax credits totals declined from 2010 to 2011.

San Juan County is comprised of 12% private lands and 88% state and federal lands. All of San Juan County is a designated Enhanced Enterprise Zone. The utilization of Enterprise Zone Tax Credits increased in all areas in San Juan with 9 companies, creating 8 new jobs and receiving about \$7 thousand in tax credits.

2010 Observations and Data

In Region 9, three of five counties meet economic distress criteria making them eligible as Enterprise Zones. According to this statute, to be designated an Enterprise Zone a designated rural area must have a **population of less than 150,000** persons and meet one of the following criteria: an unemployment rate at least 25% above the state average; a population growth rate less than 25% of the state average; and a per capita income (PCI) less than 75% of the state average.

County	2010 Unemp. Rate	2005 - 2010 Pop. Growth	2009 PCI
Archuleta	No	No	Yes
Dolores	Yes	No	Yes
La Plata	No	No	No
Montezuma	No	No	No
San Juan	No	No	No

Archuleta and Dolores Counties are within the guidelines for designated Enterprise Zones. Archuleta, Dolores and San Juan Counties have also been designated as Enhanced Rural Enterprise Zones for calendar years 2011 -2011.

Unemployment – Four counties do not meet the Unemployment rate criterion for Enterprise Zone status based on unemployment rates for 2009; Dolores County did meet that criterion. Only La Plata County met local Objective 1, of being < or = to the state unemployment rate.

	2010 Unemp. Rate	EZ Eligible > 11.1%	Objective 1 < or = to State
Archuleta	10.2%	No	No
Dolores	17.5%	Yes	No
La Plata	7.2%	No	Yes
Montezuma	9.2%	No	No
San Juan	10.8%	No	No
Colorado	8.9%		

at least 25% above State Avg (8.9%) = 11.1%

Source: Colorado Labor Market Information (1-2-12)

Note: Annual averages are not yet available for 2011

	Estimates		% Change 2005-2010	*EZ Eligible
	2005	2010		
Archuleta	11,402	12,084	6.0%	No
Dolores	1,888	2,064	9.3%	No
La Plata	47,713	51,334	7.6%	No
Montezuma	24,603	25,535	3.8%	No
San Juan	645	699	8.4%	No
Colorado	4,662,534	5,029,196	7.9%	

* < 25% of State (1.9%)

Source: Colorado Demography Section estimates January 2012

Population Growth – None of the counties in the region met EZ eligibility criteria for population growth from 2005 – 2010.

Per Capita Income (PCI) - Archuleta, and Dolores Counties met eligibility criterion for PCI in 2009, the latest available; Montezuma, La Plata and San Juan Counties did not meet this criterion. None of the counties met local Objective 2, of being > or = to the state PCI.

County	2009 Per Capita Income		* EZ Eligible < \$31,421	Objective 2 > or = to State PCI
	PCI	% of State		
Archuleta	\$ 29,344	70%	Yes	No
Dolores	\$ 31,385	75%	Yes	No
La Plata	\$ 39,769	95%	No	No
Montezuma	\$ 32,502	78%	No	No
San Juan	\$ 38,705	92%	No	No
Colorado	\$ 41,895			

*75% of State PCPI= \$31,421

Source: Bureau of Economic Analysis

2011 Efforts to Improve Conditions

Region-wide in 2011 there were 28 projects approved as Enterprise Zone Contribution projects, and these projects generated about **\$4,176,732** in economic activity through direct and in kind contributions. This is down by about \$600 thousand from 2010 numbers and almost \$1.2 million dollars less than the 2008 levels. The number of EZ Projects increased from 27 to 28. One Contribution project closed and thus was not renewed for 2012.

Businesses in Enterprise Zone areas claimed approximately **\$24,922,873** in eligible investments, resulting in **\$756,779** in certified tax credits, and creating 240.92 jobs. These amounts are \$500 thousand less than 2010 numbers. The number of new jobs decreased by 2, which totals 77 fewer jobs than in 2008. These numbers include the on-line business certifications, which became available this year.

Region 9 works with the county-level economic development groups to devise strategies for attracting suitable new businesses and helping existing businesses to grow. These strategies included a concentrated focus to educate area accountants about the EZ legislative changes, as well as providing information to chambers of commerce and area businesses to make sure everyone was aware of the benefits, programs, and changes around the Enterprise Zone tax credits. Our social media efforts were successful as was media publicity throughout the year.

2011 Objectives

A number of local objectives have been identified, and are being tracked on an annual basis. We are not seeing much movement in the first two objectives and are not sure if we need a new measurement, or if the struggling economy is a mitigating factor.

1: Unemployment rates for each of the counties should be equal to or less than the state unemployment rate. Current Status – Only La Plata County has an unemployment rate less than the state unemployment rate in 2010, 2009 and 2008.

2: Per Capita Income (PCI) for each of the counties should be equal to or greater than the state PCI. Current Status – None of the five counties had PCI levels less than the state average in 2009, 2008 and 2007.

3: Each County will have an active economic development organization with staff and funding to focus efforts in each county and assist Region 9 EDD with its delivery of services. Current Status – Each county has an economic development group and three are designated as EZ Contribution projects. Two are very strong groups with paid staff and the other three are struggling, either with a lack of leadership or a lack of resources. There have been resignations in one of the five groups as of the end of 2011, and one in 2010. Region 9 is working hard to mentor new staff.

4: Increase the number of businesses that participate in the EZ in each county using 2005 as a base year. Current status – Base year total is: 228. The total number of participating businesses in 2009 was 232, 247 in 2010, and 2011 had 249 businesses participating which is a 9% increase since the 2005 baseline.

5. Target all businesses involved in other Region 9 programs and inform them about the Investment Tax credit, and track what number turn in certification forms, using 2009 as a base year. The table below lists the base number of businesses utilizing EZ tax credits in 2009 that Region 9 worked closely with. Added is the number of businesses Region 9 works with by county, now claiming EZ business tax credits in 2011. Any needed reports to support the above numbers are available per your request. We have made sure that the business numbers are not duplicated. For more information contact Region 9 at 970-247-9621.

	Archuleta	Dolores	La Plata	Montezuma	San Juan
2009 (base yr) 36 Businesses	<u>5</u>	<u>1</u>	<u>18</u>	<u>11</u>	<u>1</u>
2010 10 Businesses	<u>3</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>0</u>
2011 19 businesses	<u>3</u>	<u>1</u>	<u>8</u>	<u>6</u>	<u>1</u>