



SOUTHWEST ENTERPRISE ZONE – 2012 ANNUAL REPORT

Overview

The Region 9 Economic Development District of Southwest Colorado Inc. (Region 9) serves as the Southwest Enterprise Zone Administrator. 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, producing the Comprehensive Economic Development Strategy (CEDS) as well as other data reports, staffing the Regional Transportation Planning Commission and serving as fiscal agent for the Southwest Colorado Council of Governments and Four Corners Film Office.

Conditions and business environment

Historically, Southwest Colorado developed as a result of "traditional west" commodities such as minerals, cattle and timber. Since the 1970s the region has transitioned to tourism and outdoor recreation as the number one industry. The area is known for its scenic beauty, diverse landscapes, cultural resources and Entrepreneurial spirit. Because of its location within the larger region, Durango, Colorado, established in 1881, has developed as a tourist crossroads and regional trade center. Southwest Colorado also includes the state's only two Indian reservations: the Southern Ute and the Ute Mountain Ute Indian Tribes, both major economic forces with their diversified enterprises and employment opportunities benefiting the regional economy. However, portions of the Ute Mountain Reservation and all of the Southern Ute Reservation are excluded from the Enterprise Zone by their request as sovereign nations.

Southwest Colorado appears to be recovering from the national and state recessions as evidenced by our Enterprise Zone certification data as well as measurement of our business sector employment and income data compared over the past few years.

Although it varies by county, region-wide the total number of tax credits, dollars invested and jobs created are up from 2011. **Since this was the first year using the on-line certification system, we combined our internal database of hard copy submissions with the state's numbers.** We will monitor whether next year's numbers continue the upward trend.

Region 9

	Tax Credits	\$ Invested	Jobs Created
2011	\$ 673,131	\$ 22,501,542	268
2012	\$ 1,648,586	\$ 76,642,252	505
% Change	145%	241%	88%

2012

	Tax Credits	\$ Invested	Jobs Created
Archuleta	\$ 281,113	\$ 8,200,238	131
Dolores	\$ 20,572	\$ 779,641	(1)
La Plata	\$ 932,745	\$ 34,900,720	285
Montezuma	\$ 340,393	\$ 30,312,225	82
San Juan	\$ 633	\$ 21,110	1
Regional*	\$ 73,131	\$ 2,428,318	7
Total	\$ 1,648,586	\$ 76,642,252	505

Archuleta County. The 2012 numbers show a gain of 131 jobs from a total number of 59 businesses claiming tax credits. Both of these numbers are up from 2011, including the number of tax credits. 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. 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 20 businesses, an increase of 14 from 2011, with \$20,572 in tax credits; an increase of 62% over 2011. There was a loss of 1 job in 2012.

La Plata County. La Plata County does not meet the EZ distress criteria county-wide, however, since open space has been identified as an important asset to La Plata County residents, 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 162 businesses participated (up from 106), creating 285 jobs (also an increase over the prior year) and receiving a total \$932,745 thousand in tax credits, a higher total than each of the last 4 years.

Montezuma County. All of Montezuma County is a designated Enterprise Zone, with the exception of the Ute Mountain Sacred area. Based on our most recent data, the County is right on the cusp of no longer meeting 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. Montezuma saw a huge increase in the number of businesses participating from 98 to 173 businesses, but they created 82 jobs, a slight decrease from 2011. The majority look to be farms and ranches. Montezuma’s tax credits totals increased to \$340,393 higher than 2011 but below 2010 numbers.

San Juan County. All of San Juan County is a designated Enhanced Enterprise Zone. The utilization of Enterprise Zone Tax Credits decreased to one company receiving \$21 thousand in tax credits.

Region-wide in 2012 there were 29 projects approved as **Enterprise Zone Contribution projects**, and these projects generated about **\$4,508,297.19** in economic activity through direct and in kind contributions. This is up about \$400 thousand from 2011 bringing it back to 2010 levels, but still almost \$1.2 million dollars less than the 2008 levels. The number of EZ Projects increased from 27 to 29. One Contribution project did not renew in 2013 because they physically relocated out of the Enterprise Zone.

2012 Observations and Data

In Region 9, four 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.

Archuleta, Dolores, Montezuma and San Juan 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 2013 and 2014.

County	2011 Unemp.Rate	2006 - 2011 Pop. Growth	2011 PCI
Archuleta	No	Yes	Yes
Dolores	Yes	No	Yes
La Plata	No	No	No
Montezuma	No	Yes	No
San Juan	No	Yes	Yes

	2011 Unemp. Rate	EZ Eligible > 10.3%	Objective 1 < or = to State
Archuleta	9.2%	No	No
Dolores	11.4%	Yes	No
La Plata	6.8%	No	Yes
Montezuma	8.5%	No	No
San Juan	10.3%	No	No
Colorado	8.3%		

Unemployment – Four counties do not meet the Unemployment rate criterion for Enterprise Zone status based on unemployment rates for 2011; Dolores County did meet that criterion. Only La Plata County met local Objective 1, of being < or = to the state unemployment rate.

at least 25% above State Avg (8.3%) = 10.3%

Source: Colorado Labor Market Information (2-9-13)

Note: Annual averages are not yet available for 2012

Population Growth – Archuleta, Montezuma and San Juan Counties met EZ eligibility criteria for population growth from 2007 – 2011.

	Estimates		% Change 2007-2011	*EZ Eligible
	2007	2011		
Archuleta	12,108	12,038	-0.6%	Yes
Dolores	2,001	2,042	2.0%	No
La Plata	49,146	51,944	5.7%	No
Montezuma	25,177	25,413	0.9%	Yes
San Juan	686	691	0.7%	Yes
Colorado	4,821,784	5,118,526	6.2%	

* < 25% of State (1.6%)

Source: Colorado Demographers Office February 2013

2010 Per Capita Income			* EZ Eligible < \$31,721	Objective 2 > or = to State PCI
County	PCI	% of State		
Archuleta	\$31,672	75%	Yes	No
Dolores	\$26,894	64%	Yes	No
La Plata	\$42,638	101%	No	Yes
Montezuma	\$33,142	78%	No	No
San Juan	\$30,086	71%	Yes	No
Colorado	\$42,295			

Per Capita Income (PCI) - Archuleta, Dolores and San Juan Counties met eligibility criterion for PCI in 2010, the latest available; Montezuma and La Plata Counties did not meet this criterion. La Plata met local Objective 2, of being > or = to the state PCI.

*75% of State PCPI= \$31,721

Source: Bureau of Economic Analysis

2012 Efforts to Improve Conditions

Region 9, as the Southwest EZ Administrator, has worked hard to outreach area businesses to make sure they know that Enterprise Zone tax credits are available. In preparation for the pre-certification process, significant focus was placed on educating area accountants about EZ tax credits and promoting the pre-certification system through area chambers and economic development groups. Specific activities included:

- Our bi-annual newsletter provided Enterprise Zone information.
- Held accountant training in January and provided technical assistance to accountants throughout the year.
- Executive Director served on the State EZ Task Force.
- Article about EZ changes in August's Durango Herald, and Cortez Journal.
- Presented to downtown business owners about Enterprise Zone in spring, 2012.
- A contact list of regional accountants was compiled and quarterly updates distributed.
- Region 9 revamped its website to offer more EZ information, maps and forms to better assist area businesses.
- Worked with GIS department in La Plata County to assist with address verification and defining Ag parcels.
- Added three new EZ projects in 2012 and worked with five additional inquires.
- Updated our internal Enterprise Zone Access database.
- Cite EZ information in Region 9 brochure, annual report, and monthly updates to area economic development groups.

2013 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 there are mitigating factors.

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 had an unemployment rate less than the state unemployment rate in 2011, 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 – La Plata County had a PCI greater than the state PCI in 2010. None of the five counties had PCI levels equal to or greater than the state in 2011, 2009, 2008, 2007 or 2006.

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 – Four counties have an economic development group and three are designated as EZ Contribution projects. It is through the economic development organizations, that the SW EZ Administrator outreaches businesses. Region 9 will be changing tactics as last year, two groups were strong with paid staff and the other three were struggling with either with a lack of leadership or a lack of resources. Since our last report, one group has gone dormant and only one in the region has paid staff. Region 9 worked hard to mentor new staff, but the revolving door has made these efforts less effective. Region 9 is now exploring increasing their staff coverage in the counties to provide more economic development services and project support.

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, 2011 had 249 businesses participating and 2012 had about 419 businesses which is a 54% 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 2012. 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>
2012 +18 businesses	<u>3</u>	<u>2</u>	<u>9</u>	<u>4</u>	<u>0</u>