



## SOUTHWEST ENTERPRISE ZONE – 2013 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 only 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 and financing, producing the Comprehensive Economic Development Strategy (CEDS) as well as other data reports, staffing the Regional Transportation Planning Commission, Enterprise Zone Administration, 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" commodity products 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, established in 1881, has developed as a tourist crossroads and regional trade center. The Southern Ute and the Ute Mountain Ute Indian Tribes are 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.

Being geographically isolated, the region was somewhat sheltered from the national recession, though housing values and construction industry took large hits. Each county is unique in terms of their needs and key industries. Regional key industry sectors, in addition to tourism, include agriculture, natural resources and energy.

### Region 9

2013	# Businesses Filing	Tax Credits	\$ Invested	Jobs Created
Archuleta	41	\$ 103,550	\$ 2,225,408	8
Dolores	19	\$ 33,796	\$ 1,317,402	1
La Plata	105	\$ 607,657	\$ 32,125,236	-18
Montezuma	107	\$ 3,085,190	\$ 134,867,253	-2
San Juan	1	\$ 8,083	\$ 12,767	6
Regional*	24	\$ 361,492	\$ 12,799,912	-16
<b>Total</b>	<b>297</b>	<b>\$ 4,199,768</b>	<b>\$ 183,347,978</b>	<b>-21</b>

Although it varies by county, region-wide the total number of tax credits and dollars invested continue to go up since 2011. However the region lost 21 jobs compared to last year. Last year was the first year using the on-line certification system, and there were concerns that the higher numbers were due to the transition, however the numbers seem to be holding steady.

\* Region-wide entities such as banks and utilities

### Region 9

	Tax Credits	\$ Invested	Jobs Created
2011	\$ 673,131	\$ 22,501,542	268
2012	\$ 1,648,586	\$ 76,642,252	505
% Change 11-12	145%	241%	88%
2013	\$ 4,199,768	\$ 183,347,978	-21
% Change 12-13	155%	139%	-104%

**Archuleta County.** The 2013 numbers show a gain of 8 jobs from a total number of 41 businesses claiming tax credits. The job gains are significantly lower than the previous year, as are the tax credits going to \$103,550. 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 19 businesses with \$33,796 in tax credits; more than doubling over the past two years. There was a gain of 1 job in 2013 from businesses that utilized the program.

**La Plata County.** La Plata County does not meet the EZ distress criteria county-wide; however, 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 105 businesses participated (stable numbers), showing a net loss of 18 jobs for those businesses that participate in the program, and receiving a total \$607,657 in tax credits. This number is about half of the tax credits reported in 2012r.

**Montezuma County.** All of Montezuma County is a designated Enterprise Zone, with the exception of the Ute Mountain Sacred area. Montezuma saw 107 businesses participating in the program that showed a loss of 2 total jobs, but the amount of tax credits increased to an all-time high of \$3.08 million compared to last year’s \$340,393. This was primarily due to a new energy company in the area.

**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 \$8,000 in tax credits and creating 6 jobs.

Region-wide in 2013 there were 30 designated **Enterprise Zone Contribution projects**, and these projects generated about **\$4,304,361** in economic activity through direct and in kind contributions. This is down about \$200K from 2012. The total number of EZ Projects increased from 29 to 30. Two contribution projects did not renew for 2014 and there were three new projects designated.

**2013 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 through 2014.

County	2012 Unemp.Rate	2008 - 2012 Pop. Growth	2012 PCI
Archuleta	No	Yes	Yes
Dolores	No	Yes	Yes
La Plata	No	No	No
Montezuma	No	Yes	No
San Juan	No	Yes	No

	2012 Unemp. Rate	EZ Eligible > 10%	Objective 1 < or = to State
Archuleta	9.4%	No	No
Dolores	9.5%	No	No
La Plata	6.6%	No	Yes
Montezuma	8.5%	No	No
San Juan	8.5%	No	No
Colorado	8.0%		

**Unemployment** – None of the counties in the region meet the unemployment rate criteria for Enterprise Zone status based on unemployment rates for 2012. Only La Plata County met local Objective 1, of being less than or equal to the state unemployment rate.

at least 25% above State Avg (8.0%) = 10.0%

Source: Colorado Labor Market Information (1-29-14)

Note: Annual averages are not yet available for 2013

**Population Growth** – Four of the five counties (Archuleta, Dolores, Montezuma and San Juan) met EZ eligibility criteria for population growth from 2008 – 2012.

	Estimates		% Change	*EZ Eligible
	2008	2012	2008-2012	
Archuleta	12,074	12,144	0.6%	Yes
Dolores	2,074	2,002	-3.5%	Yes
La Plata	50,073	52,506	4.9%	No
Montezuma	25,200	25,407	0.8%	Yes
San Juan	698	682	-2.3%	Yes
Colorado	4,901,938	5,188,683	5.8%	

\* < 25% of State (1.45%)

Source: Colorado Demographers Office January 2014

2012 Per Capita Income			* EZ Eligible	Objective 2
County	PCI	% of State	< \$34,331	> or = to State PCI
Archuleta	\$34,128	75%	Yes	No
Dolores	\$29,440	64%	Yes	No
La Plata	\$45,476	99%	No	No
Montezuma	\$35,503	78%	No	No
San Juan	\$34,672	76%	No	No
Colorado	\$45,775			

\*75% of State PCPI= \$34,331

Source: Bureau of Economic Analysis

**Per Capita Income (PCI)** – Archuleta and Dolores Counties met eligibility criterion for PCI in 2012, 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 greater than or equal to the state PCI.

### **2013 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 new database transition and upcoming boundary changes, significant focus was placed on educating area accountants about EZ tax credit changes and promoting the upcoming boundary changes to them and area governments. Specific activities included:

- Provided EZ Annual Report and county specific EZ data to all 17 government jurisdictions.
- Region 9 bi-annual newsletters included Enterprise Zone information.
- A contact list of regional accountants is continually updated and information distributed via email as necessary.
- Region 9 revamped its website to offer more EZ information, maps and forms to better assist area businesses.
- Supplied EZ packets to area economic development groups for distribution to businesses.
- Added three new EZ projects in 2013 and worked with two additional inquiries.
- Updated our internal Enterprise Zone Access database.
- Cited EZ information in Region 9 brochure, annual report, and monthly updates to area economic development groups.

**2014 Objectives**

A number of local Enterprise Zone objectives were identified several years ago, and continue to be 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 all years from 2013 back to 2008.

**2: Per Capita Income (PCI) for each of the counties should be equal to or greater than the state PCI. Current Status** – No counties had a PCI greater than the state PCI based on 2012 numbers, the latest available. La Plata County was an exception being greater than the State PCI in 2010, but otherwise none of the five counties had PCI levels equal to or greater than the state from 2013 through 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** – Five counties have economic development groups and two are designated as EZ Contribution projects. Previously Region 9 worked through the economic development organizations to outreach businesses, but one only organization is stable in staff and finances. The ongoing struggles of these entities have made outreach less effective and Region 9 changed tactics this year. Region 9 is now taking a more direct role and increasing their staff coverage in counties to provide more economic development services and project support. We expect to see additional Enterprise Zone activity in San Juan and Montezuma counties which have increased staff focus in 2014. We hope to see our Number 4 & 5 Objectives reflect that effort.

**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 was a 54% increase since the 2005 baseline. 2013 had 276 businesses, which puts the numbers back in line with pre 2012 numbers. One possible reason for the high numbers in 2012 was the transition to the on-line system. More likely it is the fact that businesses were no longer allowed to claim credits for previous years after 2012, and many made multi-year submissions. This data appears valuable and will continue to be monitored.

**5. Target all businesses involved in other Region 9 programs and inform them about the Investment and other EZ tax credits, and track how many utilize the credits.** The table below lists the base number of businesses utilizing EZ tax credits in 2009 that Region 9 worked closely with, either through our loan program or technical assistance. Added annually is the number of businesses Region 9 works with by county, now claiming EZ business tax credits. The supporting list of businesses is available by 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
<b>2009</b>	5	1	18	11	1
(base yr)					
36 Businesses					
<b>2010</b>	3	0	3	4	0
+10 Businesses					
<b>2011</b>	3	1	8	6	1
+19 businesses					
<b>2012</b>	3	2	9	4	0
+18 businesses					
<b>2013</b>	1	0	6	3	0
+10 businesses					