



SOUTHWEST ENTERPRISE ZONE – 2014 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, Enterprise Zone Administration, special projects such as the Southwest Accelerator Program for Entrepreneurs (SCAPE) and serving as fiscal agent for the 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. Each county is unique in terms of their needs and key industries. Agriculture related services and forestry remain significant sources of employment for certain parts of the region, especially Dolores and Montezuma Counties, yet provide relatively little employment income. The Archuleta, La Plata and San Juan County economies are based primarily on tourism. Natural resources and energy are also important sectors in the region's economy. 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 currently excluded from the Enterprise Zone by their request as sovereign nations. We do expect that the Tribes will be interested in including their eligible areas in the redistricting for 2016.

2014	Region 9			
	# Businesses Filing	Tax Credits	\$ Invested	Jobs Created
Archuleta	40	\$ 193,077	\$ 2,774,177	68
Dolores	22	\$ 23,304	\$ 762,010	1
La Plata	94	\$ 602,981	\$ 25,886,687	365
Montezuma	107	\$ 224,820	\$ 9,393,400	39
San Juan	4	\$ 1,073	\$ 1,077	-5
Regional*	19	\$ 193,518	\$ 7,427,587	-7
Total	286	\$ 1,238,773	\$ 46,244,938	461

Participation in the EZ Program continues to be important to area businesses, though this varies by county. Region-wide in 2014 there were 30 designated Enterprise Zone Contribution Projects, which generated about **\$4.738 million** in economic activity through direct and in-kind contributions. This is up about \$400K from 2013. The total number of EZ Projects stayed at 30. Two contribution projects did not renew for 2015 and two new projects were designated.

* Region-wide entities such as banks and utilities

Regionally, the number of businesses certifying tax credits declined (-11) from 297 in 2013 to 286 in 2014. Tax credits saw a (-71%) decline, and investments declined (-75%). On a brighter note job creation went from (-21) in 2013 to 461 jobs created region-wide in 2014.

2011
2012
% Change 11-12
2013
2014
% Change 13-14

Region 9		
Tax Credits	\$ Invested	Jobs Created
\$ 673,131	\$ 22,501,542	268
\$ 1,648,586	\$ 76,642,252	505
145%	241%	88%
\$ 4,199,768	\$ 183,347,978	(21)
\$ 1,238,773	\$ 46,244,938	461
-71%	-75%	NA

2014 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. Based on these criteria Dolores, Montezuma and San Juan Counties are within the guidelines for designated Enterprise Zones.

County	Population Requirement	2009 - 2013 Pop. Growth	2013 Unemp. Rate	2013 PCI	EZ Qualify
Archuleta	Yes	No	No	No	No
Dolores	Yes	Yes	No	Yes	Yes
La Plata	Yes	No	No	No	No
Montezuma	Yes	Yes	Yes	No	Yes
San Juan	Yes	Yes	Yes	No	Yes
Data Source	DoLA	DoLA	ACS	ACS	

DoLA: Colorado Department of Local Affairs.
ACS: American Community Survey Five Year Estimates 2009-2013.

Dolores and San Juan Counties have also been designated as Enhanced Rural Enterprise Zones through 2016. The Enhanced Rural Enterprise Zone (EREZ) program provides greater financial incentives to businesses to promote and encourage new job creation in designated economically depressed rural Enterprise Zone counties.

	Estimates		% Change 2009-2013	*EZ Eligible
	2009	2013		
Archuleta	11,899	12,168	2.3%	No
Dolores	2,052	2,012	-1.9%	Yes
La Plata	50,759	53,446	5.3%	No
Montezuma	25,365	25,650	1.1%	Yes
San Juan	687	687	0.0%	Yes
Colorado	4,976,853	5,264,890	5.8%	

Population Growth –Overall, the region has seen a 3.4% population increase since 2009, driven mainly by growth in La Plata County. Three of the five counties (Dolores, Montezuma and San Juan) met EZ eligibility criteria for population growth from 2009 – 2013.

* < 25% of State (1.45%)

Source: DoLA - Colorado State Demographers Office February 2015

Unemployment – Montezuma and San Juan Counties meet the unemployment rate criteria for EZ status based on unemployment rates for 2013. Only La Plata County met local Objective 1, of being less than or equal to the state unemployment rate.

	2013 Unemp. Rate	*EZ Eligible > 10.6%	Objective 1 < or = to State
Archuleta	10.2%	No	No
Dolores	10.0%	No	No
La Plata	6.5%	No	Yes
Montezuma	11.7%	Yes	No
San Juan	18.0%	Yes	No
Colorado	8.5%		

*at least 25% above State Avg (8.5%) = 10.6%

Source:(ACS) American Community Survey Five Year Estimates 2009-2013.

2013 Per Capita Income			* EZ Eligible	Objective 2 > or = to State PCI
County	PCI	% of State	< \$23,331	
Archuleta	\$ 29,793	96%	No	No
Dolores	\$ 22,880	74%	Yes	No
La Plata	\$ 30,151	97%	No	No
Montezuma	\$ 23,548	76%	No	No
San Juan	\$ 24,711	79%	No	No
Colorado	\$ 31,109			

Per Capita Income (PCI) – Dolores County met eligibility criterion for PCI in 2013. Archuleta, La Plata, Montezuma, 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.

*75% of State PCPI= \$23,331

Source:(ACS) American Community Survey Five Year Estimates 2009-2013.

2014 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. Staff admits to being somewhat disappointed that the business participation numbers do not reflect the time dedicated to this effort. However, there do appear to be increasing numbers of businesses pre-certifying. Significant time was spent throughout the year working with businesses and accountants regarding the Salesforce database. Assistance included how to use the system, fix mistakes, and to re-send pre certifications. The State was very helpful in providing needed training. Specific regional 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. This included availability of Salesforce, tips, form updates, deadlines and instructions.
- 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 two new EZ projects in 2014 and worked with four additional inquiries.
- Upgraded our Access database to better track certifications.
- Worked with the La Plata County GIS Department to have the EZ added as a layer to its public website.
- Cited EZ information in Region 9 brochure and monthly updates to area economic development groups.
- Continually update Enterprise Zone Contribution Project email tree and provide information as necessary. This includes forms, deadlines, tips and reminders.

2015 Objectives

A number of local Enterprise Zone objectives were identified several years ago, and continue to be tracked on an annual basis. It should be noted that in 2014 we are using different data sources for two local objectives: Unemployment Rates - Labor Market Information (LMI) to the American Community Survey (ACS); and for Per Capita Income - Bureau of Economic Analysis (BEA) to the American Community Survey (ACS). It will be interesting to see if this changes the trends in these indicators in the coming years.

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 2013 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. 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. Regionally, the number of participating businesses declined (-11) from 297 in 2013 to 286 in 2014.

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
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>
2013 10 businesses	<u>1</u>	<u>0</u>	<u>5</u>	<u>2</u>	<u>0</u>
2014 11 businesses	<u>4</u>	<u>0</u>	<u>4</u>	<u>2</u>	<u>1</u>