



SOUTHWEST ENTERPRISE ZONE – 2015 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

| 2015 | Region 9 | | | |
|--------------|---------------------|---------------------|----------------------|--------------|
| | # Businesses Filing | Tax Credits | \$ Invested | Jobs Created |
| Archuleta | 28 | \$ 157,988 | \$ 1,834,362 | 0 |
| Dolores | 25 | \$ 74,870 | \$ 507,935 | 36 |
| La Plata | 94 | \$ 609,152 | \$ 9,129,102 | -8 |
| Montezuma | 116 | \$ 1,744,442 | \$ 52,313,283 | 15 |
| San Juan | 6 | \$ 47,089 | \$ 114,418 | 46 |
| Regional* | 1 | \$ 65,741 | \$ 2,174,494 | 0 |
| Total | 270 | \$ 2,699,282 | \$ 66,073,593 | 89 |

* Region-wide entities such as banks and utilities

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. The Ute Mt Ute Tribe has participated in the Enterprise Zone and the Southern Ute Indian Tribe will begin participation in 2016.

| | Region 9 | | |
|-----------------------|--------------|----------------|--------------|
| | Tax Credits | \$ Invested | Jobs Created |
| 2011 | \$ 673,131 | \$ 22,501,542 | 268 |
| 2012 | \$ 1,648,586 | \$ 76,642,252 | 505 |
| 2013 | \$ 4,199,768 | \$ 183,347,978 | (21) |
| 2014 | \$ 1,238,773 | \$ 46,244,938 | 461 |
| 2015 | \$ 2,699,282 | \$ 66,073,593 | 89 |
| % Change 14-15 | 118% | 43% | -81% |

Participation in the EZ Program continues to be important to area businesses, though this varies by county. The number of businesses certifying tax credits declined (-5.6%) from 286 in 2014 to 270 in 2015. However tax credits saw a (118%) increase, and investments increased (43%). Job creation went from (461) in 2014 to 89 jobs created region-wide in 2015.

Region-wide, in 2015 there were 34 designated Enterprise Zone Contribution Projects (4 newly designated), which generated about **\$3.91million** in economic activity through direct and in-kind contributions. This is down about \$800K from 2014. Because of the state-wide boundary amendments, five projects will not be eligible in 2016.

2015 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. Because La Plata and Archuleta were not eligible on a county level, each census tract was evaluated individually on the economic distress criteria.

| County | Population Requirement | 2010 - 2014 Pop. Growth | 2014 Unemp. Rate | 2014 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 | No | Yes | 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 2010-2014.

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

| | Estimates | | % Change 2010-2014 | *EZ Eligible |
|-----------|-----------|-----------|--------------------|--------------|
| | 2010 | 2014 | | |
| Archuleta | 12,060 | 12,249 | 1.6% | No |
| Dolores | 2,060 | 1,933 | -6.2% | Yes |
| La Plata | 51,411 | 54,014 | 5.1% | No |
| Montezuma | 25,532 | 25,812 | 1.1% | Yes |
| San Juan | 709 | 718 | 1.3% | Yes |
| Colorado | 5,050,289 | 5,353,471 | 6.0% | |

* < 25% of State (1.5%)

Source: DoLA - Colorado State Demographers Office February 2016

Population Growth – Overall, the region has seen a 3.1% population increase since 2010, 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 2010 – 2014.

Unemployment – San Juan County meet the unemployment rate criteria for EZ status based on unemployment rates for 2014. La Plata and Dolores Counties met local Objective 1, of being less than or equal to the state unemployment rate.

| | 2014 Unemp. Rate | *EZ Eligible > 6.7% | Objective 1 < or = to State |
|-----------|------------------|---------------------|-----------------------------|
| Archuleta | 5.5% | No | No |
| Dolores | 4.4% | No | Yes |
| La Plata | 4.0% | No | Yes |
| Montezuma | 5.8% | No | No |
| San Juan | 14.0% | Yes | No |
| Colorado | 5.4% | | |

*at least 25% above State Avg (5.4%) = 6.7%

Source:(ACS) American Community Survey Five Year Estimates 2010-2014.

| 2014 Per Capita Income | | | * EZ Eligible < \$23,755 | Objective 2 > or = to State PCI |
|------------------------|-----------|------------|--------------------------|---------------------------------|
| County | PCI | % of State | | |
| Archuleta | \$ 28,506 | 90% | No | No |
| Dolores | \$ 21,543 | 68% | Yes | No |
| La Plata | \$ 31,016 | 98% | No | No |
| Montezuma | \$ 23,611 | 75% | Yes | No |
| San Juan | \$ 25,926 | 82% | No | No |
| Colorado | \$ 31,674 | | | |

*75% of State PCPI= \$23,755

Source:(ACS) American Community Survey Five Year Estimates 2010-2014.

Per Capita Income (PCI) – Dolores and Montezuma Counties met eligibility criterion for PCI in 2014. Archuleta, 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.

2015 Efforts to Improve Conditions

Region 9, as the Southwest EZ Administrator, has worked hard throughout the year educate area businesses, governments, economic development groups, chambers and area accountants about the boundary changes beginning in 2016. Three presentations were held specifically for area accountants on the new maps, and Salesforce database. We believe that there are an increasing numbers of businesses pre-certifying each year but many of those businesses are not following through with certification. In 2016, we plan to measure the number of EZ inquiries that we receive in our office, not including our Contribution Projects, which we hear from on an on-going basis.

Specific EZ activities included:

- Presented to the Towns and Counties in the Southwest EZ that would be impacted by the 2016 changes.
- Distributed press to all regional media regarding the 2016 changes.
- Held meetings and presentations with each county-level economic development group regarding the EZ boundary changes and possible business extensions.
- 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.
- Supplied EZ packets to area economic development groups for distribution to businesses.
- Added four new EZ Contribution projects in 2015 and worked with five additional projects that will no longer be eligible in 2016.
- Worked with the La Plata County GIS Department to have the EZ added as a layer to its public website.
- Cite EZ information in Region 9 brochure and other materials as well as monthly updates distributed to our Board of Directors, funders and governments.
- Continually update the Enterprise Zone Contribution Project email tree and provide information as necessary. This includes forms, deadlines, tips and reminders.

2016 Objectives

A number of local Enterprise Zone objectives were identified several years ago to show that Enterprise Zone status is helping our economy. Those objectives continue to be tracked on an annual basis.

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 2008 to 2014. In 2016 very few census tracts meet the distress criteria.

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 2014 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 2006 through 2014.

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 active economic development groups and two are designated as EZ Contribution projects. Region 9 works with each county's economic development staff and board of directors to promote Enterprise Zone opportunities. This year, we have seen tremendous outreach on the Enterprise Zone in Montezuma County. Sixty-two businesses received EZ information during one-on-one meetings in Montezuma. We expected to see Objectives number 4 and 5 reflect this outreach. However, we did not see that in Objective 5 as Montezuma County businesses who actually certified only increased by 1. It is apparent to us that this objective is not an effective measure of our EZ

time and outreach. Even businesses that we can get pre-certified appear to not be following up with certification.

4. Increase the number of businesses that participate in the EZ in each county using 2005 as a base year (228 participating businesses).

| Year | # Participating Businesses | % change from 2005 | % change from Previous |
|------|----------------------------|--------------------|------------------------|
| 2005 | 228 | | |
| 2009 | 232 | 2% | |
| 2010 | 247 | 8% | 6% |
| 2011 | 249 | 9% | 1% |
| 2012 | 419 | 84% | 68% |
| 2013 | 297 | 30% | -29% |
| 2014 | 286 | 25% | -4% |
| 2015 | 270 | 18% | -6% |

We expected that our outreach as an EZ Administrator would positively impact the number of participating businesses and there appears to be no correlation. The 2012 numbers appear to be an anomaly and we believe that one possible reason for the high numbers was the transition to the on-line system precertification system where area accountants pre-certified all their clients, just in case. Another reason is the fact that businesses were no longer allowed to claim credits for previous years after 2012, and many made multi-year

submissions.

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 number of non-duplicative businesses utilizing EZ tax credits that Region 9 worked closely with, either through our loan program or individual technical assistance. We track those businesses, by county, annually that claim EZ business tax credits. The supporting list of businesses is available by request. 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> |
| 2015 14 businesses | <u>1</u> | <u>2</u> | <u>7</u> | <u>3</u> | <u>1</u> |