

SOUTHWEST COLORADO ECONOMIC DRIVERS

*Job Generation by Second Homes and Other Economic Drivers
In Archuleta, Dolores, La Plata and Montezuma Counties*

PREPARED FOR
REGION 9 ECONOMIC DEVELOPMENT DISTRICT OF
SOUTHWEST COLORADO, INC.

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STUDY TEAM

- Lloyd Levy Consulting LLC conducted the analysis and is solely responsible for the results and the report.
- Donna Graves, Information Services, provided data on second homes and assisted with editing and the preparation of figures and tables.
- The Colorado Demography Office of the Colorado Department of Local Affairs (DOLA), Elizabeth Garner, State Demographer, provided data on employment and non-labor income.
- Mike Retzlaff, Economic Insights of Colorado, supplied the IMPLAN data and model calibrated to the DOLA employment estimates.
- David Schwartz, Economic and Planning Systems assessed the region's economic development assets and opportunities.

CONTRIBUTORS

The following contributed data to this study and deserve thanks for their efforts. They are in no way responsible for the results or conclusions:

- Herman Hageman, Archuleta County Assessor's Office; Joi Redshaw, Dolores County Assessor's Office; Carol Gibson, La Plata County Assessor's Office, and Scott Davis, Montezuma County Assessor's Office.
- Ed Morlan, Executive Director, and the Board of Directors of the Region 9 Economic Development District of Southwest Colorado, Inc.
- Cindy DeGroen, Colorado Demography Office.
- Jim Westkott, Colorado Demography Office (retired).
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SOUTHWEST COLORADO ECONOMIC DRIVERS

Job Generation by Second Homes and Other Economic Drivers

In Archuleta, Dolores, La Plata and Montezuma Counties

EXECUTIVE SUMMARY

This report presents the findings of a study to estimate the size – in terms of jobs – of the economic drivers of Archuleta, Dolores, La Plata and Montezuma Counties in Southwestern Colorado. The most recent round of analysis covered Archuleta, Dolores, and Montezuma counties as part of a Colorado Heritage Planning Grant award of \$22,000, with matching funds of \$17,500 provided by the Region 9 Economic Development District of Southwest Colorado (Region 9). For these counties the economic data is from 2007, which was the latest data available for analysis. A pilot study covering La Plata County was conducted in 2008, and the results from the La Plata County Study are also included here in order to provide a more complete regional overview. It should be noted that the La Plata County Economic Driver Study used 2006 economic data; however, the method of data collection and analysis is identical for all of the counties.

Economic drivers are related groups of activities that bring “outside” money into the local (county) economy. A traditional example of an economic driver is a base industry, like agriculture, mining or manufacturing, which sells most or all of its products into markets that are located outside of the county. These sales support the direct “basic” jobs in each industry (the farmer, miner or assembly worker). In turn, additional supporting jobs are generated as basic industries buy goods and services and as local residents—who work for the basic industries or the basic industries’ vendors—spend their income. The additional jobs are known as the “multiplier” or “ripple” effect. The multiplier effect occurs as income is spent and re-spent within the local economy, minus the “leakage” to outside economies that occurs with every round of spending. The sum of the basic jobs plus the supporting jobs comprises an economic region’s total employment.

This economic drivers study uses methods that are comparable to earlier studies done for Region 10 and Region 12 and to the study of La Plata County done previously for Region 9.¹ The method uses IMPLAN Social Accounting and Impact Analysis Data and Software² to estimate the total employment effect of the economic drivers for which local data are available and to estimate the direct and total employment effect of drivers whose direct effect is not easily measured at the local level. The study is a tool for planning a response to growth and change and for strategizing for economic development. Region 9 hopes that these studies will provide the starting point for public discussions to review the results and consider the implications for the future – for each county and

¹ See “Second Homes and the Economic Base of Four Counties in West Central Colorado: An Economic Drivers Study for Gunnison, Hinsdale, Ouray and San Miguel Counties”(Prepared for the USDA Forest Service, Region 2, in Partnership with the Region 10 League for Economic Assistance and Planning, Inc., September 2006 [available from the Region 10 League]), “The Social and Economic Effects of Second Homes”(Prepared by Linda Venturoni for the Northwest Colorado Council of Governments, June 2004[<http://www.nwc.cog.co.us/Second%20Home%20Study/NWCCOG%202ndHome%20Study%20Binder.pdf>]), and Lloyd Levy Consulting, La Plata County Economic Drivers Job Generation by Second Home and Other Economic Drivers. Prepared for Region 9 Economic Development District of Southwest Colorado, Inc., July 2008. Available from the District.

² The IMPLAN software and data are products of the Minnesota IMPLAN Group, Inc. (MIG), Stillwater MN 55082. The MIG website address is www.implan.com.

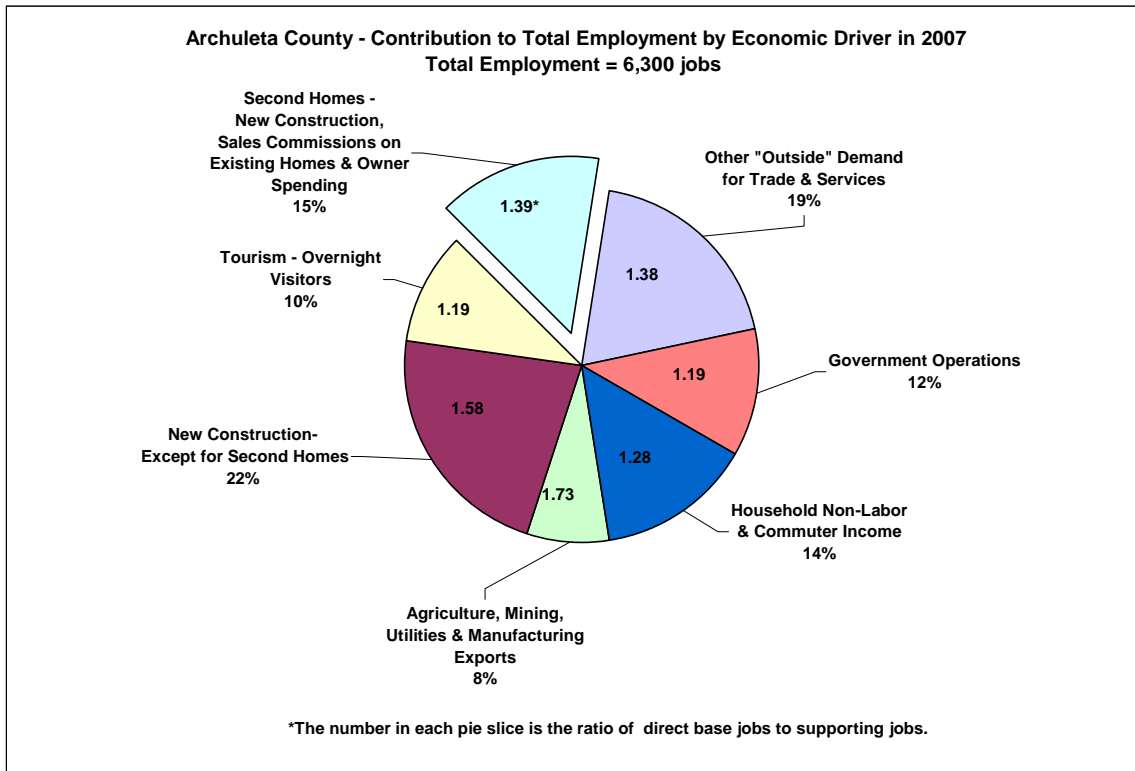
for Southwestern Colorado as a region – of the strengths and weaknesses, opportunities and problems accompanying each economic driver.

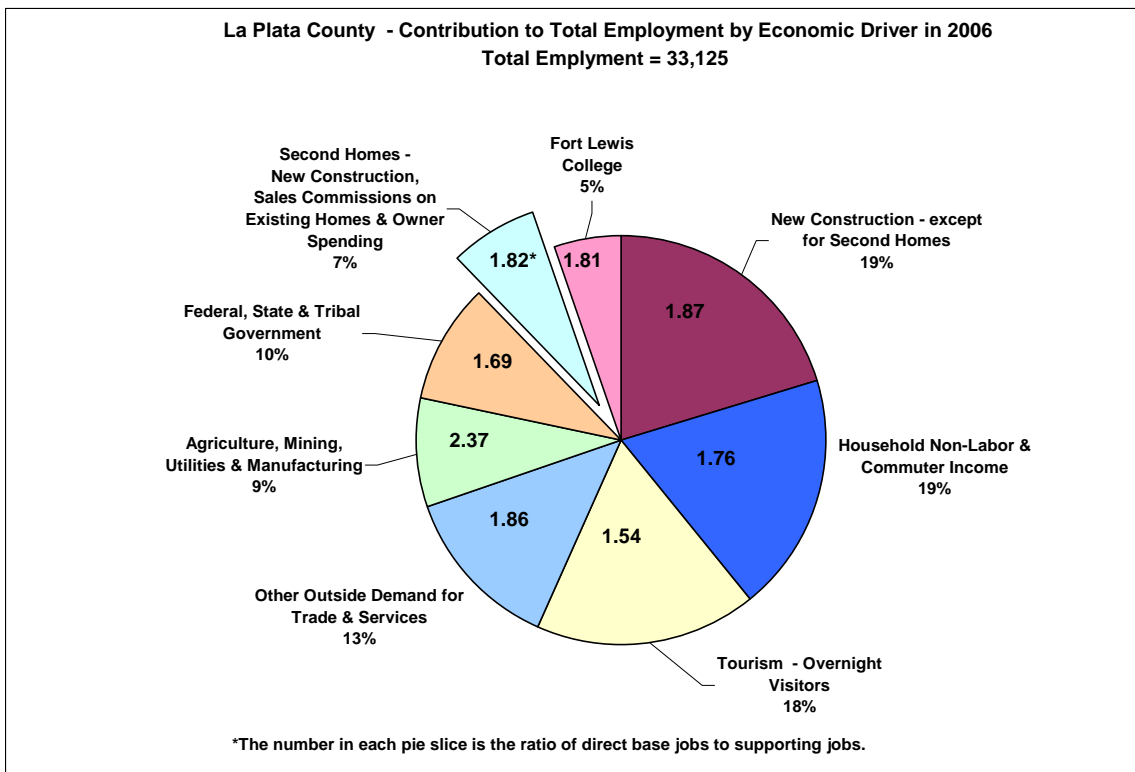
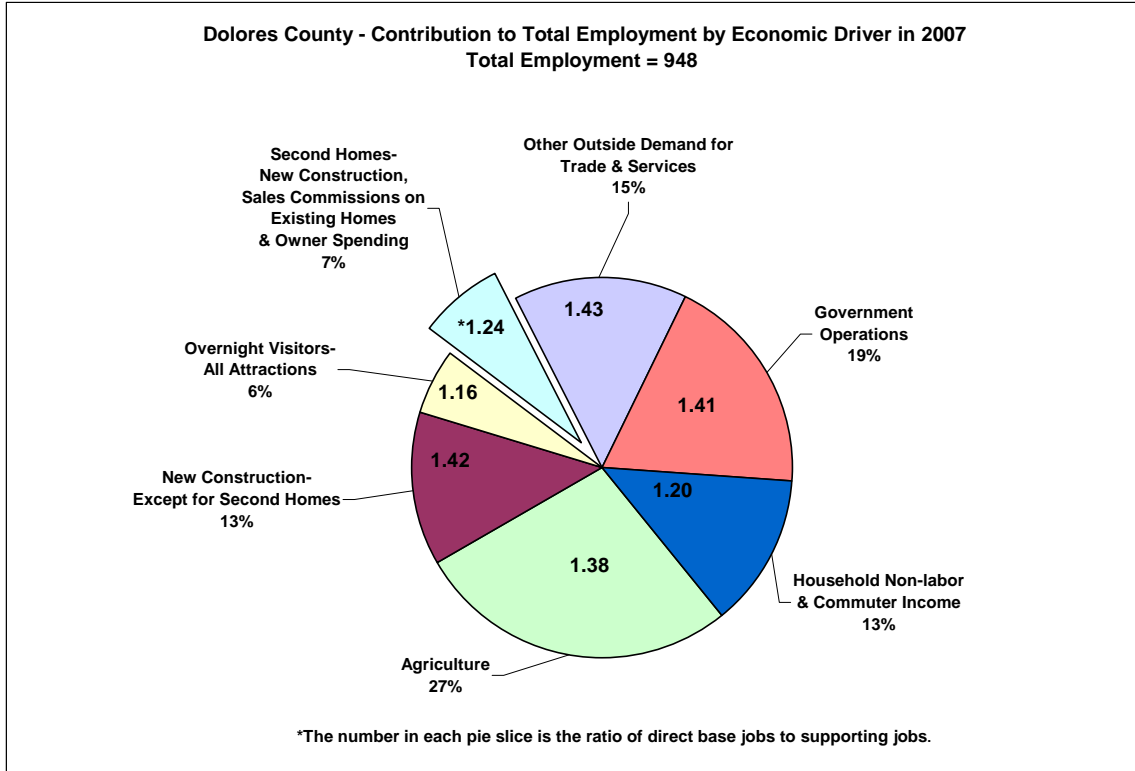
WHAT DRIVES THE ECONOMIES OF REGION 9?

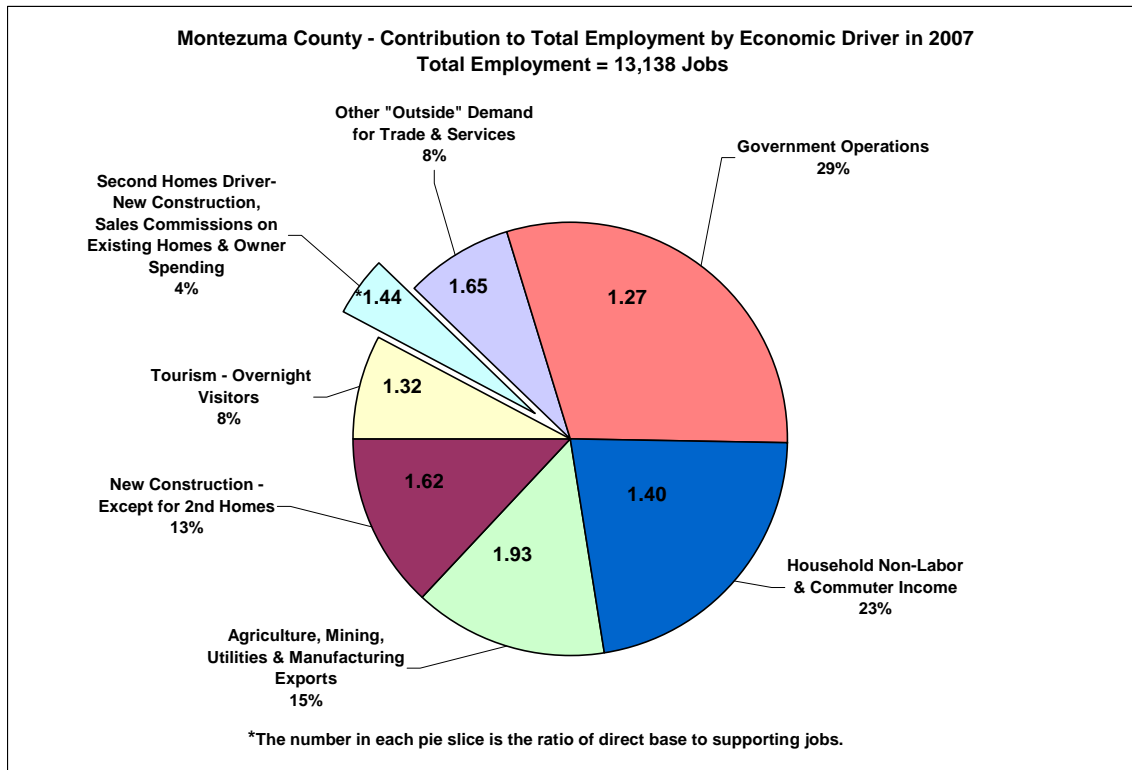
The Economic Drivers study grew out of a desire to estimate how many jobs are associated with the building, sales and maintenance of second homes. To put this information in context the study also examines each county economy as a whole and all of its main economic drivers. The focus is on giving numerical answers to three key questions:

- First, what share of total employment is generated by each economic driver?
- Second, how important is each driver, compared to all the other drivers, in terms of its total employment effect?
- Third, how much total employment is generated in response to one basic job within a given economic driver, or in other words what is the ratio of total to direct employment for each economic driver?

The answers to these questions can be shown in one graphical figure – a pie chart – presented here for each county. Each chart depicts the size, relative importance and total employment ratio for economic drivers in 2007 in Archuleta, Dolores and Montezuma counties and in 2006 for La Plata County. (La Plata County results were based on an analysis of 2006 data because the study was conducted separately and completed in 2008).







WHAT ASSETS & OPPORTUNITIES ARE HIGHLIGHTED BY A STUDY OF ECONOMIC DRIVERS?

In each county, the analysis of economic drivers indicates the potentials inherent in each economic driver. This is reflected in the two metrics presented in the pie charts of the previous section. As the charts indicate, some drivers have a large presence in the region but generate fewer “ripple” effects (i.e. indirect and induced jobs); other drivers may have a smaller presence but a larger ripple effect.

An ideal economy would contain economic drivers with only higher multipliers, but this is never possible. It is, however, possible to identify certain industry sectors that are good candidates for investment or enhancement. That is, to the extent demand exists to support such opportunities, investment in the supply side can grow and strengthen the economy. An assessment of assets suggests where these opportunities lie among the counties of Region 9 described here.

ARCHULETA COUNTY

Construction in Archuleta County—of both permanent-resident housing and second homes—is a driver that contributes many jobs and has a high ratio of indirect and induced jobs to direct jobs. The County also benefits from a strong second homeowner presence, in that the spending of these owners during their time spent in the county accounts for nine percent of jobs in the local economy. Marketing to increase the use of second homes by owners and renters in a secondary market could enlarge the effect of this economic driver. Along similar lines, the overnight visitation sector is a component of the economy (10 percent) that represents the inflow of dollars to the County. Archuleta County’s visitor driver benefits from the multiple natural regional assets and

attractions that are capitalized upon to an extent that would be enhanced by intensified marketing efforts.

DOLORES COUNTY

Dolores County's location near Mesa Verde National Park and other recreational and cultural amenities creates opportunities to engage visitors already attracted to Southwestern Colorado. The "visitors" economic driver would benefit from investments in marketing to position the county as a significant part of the wide-area recreational region that includes other parks such as the not-distant Grand Canyon. The county's agricultural driver has gathered strength and, as demand grows, investment in the supply side of agriculture would enhance its attractiveness as an equity investment for tax incentive purposes. Visitation and agriculture converge in the opportunity to position Dove Creek, known as the "Pinto Bean Capitol," as the location of events and festivals built around a unique and colorful culture.

LA PLATA COUNTY

The La Plata County economy—with diverse drivers including natural and cultural landscapes on a variety of public lands, skiing, historical attractions like the narrow gauge railway, a "destination" college, and a strong natural resource development sector—presents opportunities for strategic investment and cooperation among many stakeholders. The activities and capacity of Fort Lewis College and the Growth Company Initiative suggest the presence of a strong entrepreneurial base as well as resources to ensure their success. Teaming among various economic drivers in the style of an agglomeration economy (i.e. knowledge and idea sharing, as well as potentially mutual beneficial relationships among suppliers, producers, and consumers) could contribute to the enhancement of the economy as a whole.

MONTEZUMA COUNTY

Montezuma County, like other counties studied here, possesses many natural and economic assets that have a regional and even national pull on visitors and tourists. Among them are Mesa Verde National Park, Hovenweep National Monument, Canyon of the Ancients National Monument, Ute Mountain Tribal Park, McPhee Reservoir, and the Dolores River corridor. Given its setting, the county can play a pivotal role in a regional effort to benefit from and collectively market to visitors traveling by car to various national and regional attractions. Visitation and tourism to the parks could also be augmented by visits to the tribal park, the reservation, as well as the tribal facilities (including the restaurants, casino, or the community of Towaoc on the Ute Mountain Reservation). Enhancing the "visitors" economic driver balances the county's other important economic drivers, oil and gas development and agriculture. This can create economic diversification that can maintain economic vitality through business cycles.