



SOUTHWEST ENTERPRISE ZONE – 2016 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 works to improve economic conditions 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

2016	Region 9			
	# Businesses Filing	Tax Credits	\$ Invested	Jobs Created
Archuleta	41	\$ 643,587	\$ 10,978,249	223
Dolores	24	\$ 126,734	\$ 3,878,373	36
La Plata	99	\$ 485,453	\$ 8,100,215	161
Montezuma	127	\$ 47,089	\$ 123,413,373	71
San Juan	4	\$ 19,041	\$ 308,016	-3
Total	295	\$ 1,321,904	\$ 146,678,225	488

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 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. Both reservations contain eligible Enterprise Zone areas.

	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
2016	\$ 1,321,904	\$ 146,678,225	488
% Change 15-16	-51%	122%	448%

Participation in the EZ Program continues to be important to area businesses. The number of businesses certifying tax credits increased from 270 in 2015, to 295 in 2016. However tax credits saw a decline from 2015 even though investment dollars increased significantly. Job creation went from 89 jobs in 2015 to 488 jobs created region-wide in 2016.

Region-wide, in 2016 there were 30 designated Enterprise Zone Contribution Projects (2 newly designated), which generated about **\$3.7 million** in economic activity through

direct and in-kind contributions. This is comparable to \$3.91 million in 2015.

2016 Observations and Data

County	Population Requirement	2011 - 2015 Pop. Growth	2015 Unemp. Rate	2015 PCI	EZ Qualify
Archuleta	Yes	No	No	No	No
Dolores	Yes	Yes	No	Yes	Yes
La Plata	Yes	No	No	No	No
Montezuma	Yes	No	No	Yes	Yes
San Juan	Yes	Yes	Yes	Yes	Yes
Data Source	DoLA	DoLA	ACS	ACS	

DoLA: Colorado Department of Local Affairs.

ACS: American Community Survey Five Year Estimates 2011-2015.

rate less than 25% of the state average; and a per capita income (PCI) less than 75% of the state average. Dolores and San Juan Counties are also designated as Enhanced Rural Enterprise Zones (EREZ) through 2018. The EREZ program provides greater financial incentives to businesses in those counties to promote and encourage new job creation. La Plata and Archuleta were not eligible on a county level, so each census block was evaluated individually on the economic distress criteria and many blocks met the criteria and are included in the Zone.

In the Southwest Enterprise Zone, three counties, Dolores, Montezuma and San Juan met economic distress criteria as a county. 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

	Estimates		% Change 2011-2015	*EZ Eligible
	2011	2015		
Archuleta	11,991	12,384	3.3%	No
Dolores	2,020	1,953	-3.3%	Yes
La Plata	51,874	54,907	5.8%	No
Montezuma	25,428	26,139	2.8%	No
San Juan	696	705	1.3%	Yes
Colorado	5,117,368	5,456,584	6.6%	

* < 25% of State (1.6%)

Source: DoLA - Colorado State Demographers Office January 2017

Population Growth – Overall, the region has seen an overall population increase since 2011, driven mainly by growth in La Plata County.

Two of the five counties (Dolores and San Juan) met EZ eligibility criteria for population growth from 2011 – 2015, the latest available.

	2015 Unemp. Rate	*EZ Eligible > 5.9%	Objective 1
			< or = to State
Archuleta	4.8%	No	No
Dolores	2.6%	No	Yes
La Plata	3.5%	No	Yes
Montezuma	5.7%	No	No
San Juan	9.9%	Yes	No
Colorado	4.7%		

*at least 25% above State Avg (4.7%) = 5.9%

Source:(ACS) American Community Survey Five Year Estimates 2011-2015.

Unemployment – Only San Juan County meets the unemployment rate criteria for EZ status based on unemployment rates for 2015.

La Plata and Dolores Counties met SW Enterprise Zone local Objective 1 (see page 4), of being less than or equal to the state unemployment rate.

Per Capita Income (PCI) – Three counties, Dolores, Montezuma and San Juan met eligibility criterion for PCI in 2015. Archuleta and La Plata Counties did not meet this criterion. None of the counties met local Objective 2, of being greater than or equal to the state PCI.

County	2015 Per Capita Income		* EZ Eligible	Objective 2
	PCI	% of State	< \$24,163	> or = to State PCI
Archuleta	\$ 28,884	90%	No	No
Dolores	\$ 20,199	63%	Yes	No
La Plata	\$ 31,882	99%	No	No
Montezuma	\$ 23,470	73%	Yes	No
San Juan	\$ 23,143	72%	Yes	No
Colorado	\$ 32,217			

*75% of State PCPI= \$24,163

Source:(ACS) American Community Survey Five Year Estimates 2011-2015.

2016 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 new boundary changes that began in January, 2016. One presentation was held specifically for area accountants on the new maps, and Salesforce database, and a presentation, sponsored by the Durango Chamber was held on this topic. 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 began measuring the number of EZ inquiries that we receive in our office. Those inquiries totaled 106 different contacts.

Specific EZ activities included:

- 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 include 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 the general public and area economic development groups for distribution to businesses.
- Added two new EZ Contribution projects and communicated with three projects that will no longer be eligible in 2017.
- Worked with the Archuleta 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.
- Provide EZ information on organization website including forms, policies and maps of new eligible areas.
- The EZ Administrator trained an additional staff member to assist with the EZ Program: to use Salesforce, handle phone calls and questions regarding the program.

2016 Southwest Enterprise Zone Objectives

A number of local Enterprise Zone objectives were identified in 2009 to demonstrate how the Enterprise Zone tax credits are helping our economy. Those objectives continue to be tracked on an annual basis. Overall, we are seeing improved economic conditions as we now have two counties out of five that do not meet county-wide distress. In 2009, we only had only one.

1. Unemployment rates for each of the counties should be equal to or less than the state unemployment rate.

Current Status – La Plata and Dolores Counties had an unemployment rate less than the state unemployment rate. This is the first year for Dolores, though La Plata County has met this goal for all years from 2008 to 2015.

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 2015 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 2015.

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 – For the first time, all five counties now have active economic development groups and one is a designated as EZ Contribution project.

Region 9 works with each county’s economic development staff and board of directors to promote Enterprise Zone opportunities. This year, we have continued to see growing participation in the Enterprise Zone in Montezuma County and we expect to see numbers grow in San Juan County with new economic development staff.

We expected to see Objectives number 4 and 5 reflect local outreach efforts. However, we did not see that in Objective 5. 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%
2016	295	27%	9%

We expected that our outreach as an EZ Administrator would positively impact the number of participating businesses, but 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 as it was too large to include. 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>
2016 14 businesses	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>0</u>