



SOUTHWEST ENTERPRISE ZONE – 2017 ANNUAL REPORT

Overview

The Region 9 Economic Development District of Southwest Colorado Inc. (Region 9), located in the southwest corner of the State is a nonprofit, 501 (c) 6 public private partnership that serves as the Southwest Enterprise Zone Administrator. Region 9 works to improve economic conditions and coordinate economic development efforts throughout the 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), serving as a State Data Affiliate, and special programs such as the Southwest Accelerator Program for Entrepreneurs (SCAPE) and the Four Corners Film Office.

Southwest Colorado’s economy was traditionally in commodity products such as minerals, cattle and timber. But over the past 40 years, the region has transitioned to tourism as the number one industry. The area is known for its scenic beauty, diverse landscapes, cultural resources, National Parks and Monuments, as well as its entrepreneurial spirit with an average of 10 percent of businesses in each County being home-based. Agriculture and forestry remain significant sources of employment for Dolores and Montezuma Counties while Archuleta, La Plata and San Juan’s economies are based primarily on tourism and outdoor recreation. Natural resources and energy are also important sectors. 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.

Past year Observations and Data

Participation in the EZ Program continues to be important to area businesses as indicated by the table to the right. The number of businesses certifying tax credits shows annual increases since 2014 however, actual tax credits have been on decline since 2015. Job creation varies widely each year.

Region-wide, in 2017 there were 28 designated Enterprise Zone Contribution Projects (1 newly designated). These Projects generated about **\$3.3 million** in economic activity through direct and in-kind contributions. This is comparable to 30 designated Projects and \$3.7 million in economic activity 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
2016	\$ 1,321,904	\$ 146,678,225	488
2017	\$ 618,920	\$ 12,568,831	140
% Change 16-17	-53%	-91%	-71%

In the Southwest Enterprise Zone, three counties, Dolores, Montezuma and San Juan continue to meet the EZ economic distress criteria on a county level (See table on following page). Dolores and San Juan Counties are also designated as Enhanced Rural Enterprise Zones (EREZ) through 2018 due to meeting the higher level of State defined distress. La Plata and Archuleta are not eligible on a county level, so instead each census tract was evaluated individually on the economic distress criteria. There are only two tracts out of ten that are NOT eligible in Archuleta, and thirteen tracts out of thirty-three in La Plata County that do not meet the distress criteria. The areas that do meet eligibility are a high priority for our organization’s economic development efforts.

County	Population Requirement	2012 - 2016 Pop. Growth	2016 Unemp.Rate	2016 PCI	EZ Qualify
Archuleta	Yes	No	No	No	No
Dolores	Yes	No	No	Yes	Yes
La Plata	Yes	No	No	No	No
Montezuma	Yes	No	No	Yes	Yes
San Juan	Yes	Yes	Yes	No	Yes
Data Source	DoLA	DoLA	ACS	ACS	*

DoLA: Colorado Department of Local Affairs. <https://demography.dola.colorado.gov/population/>
 ACS: [American Community Survey Five Year Estimates 2012-2016.](#)

	Estimates		% Change 2012-2016	*EZ Eligible
	2012	2016		
Archuleta	12,109	12,907	6.6%	No
Dolores	1,990	2,035	2.3%	No
La Plata	52,457	55,697	6.2%	No
Montezuma	25,441	26,906	5.8%	No
San Juan	692	698	0.9%	Yes
Colorado	5,191,086	5,538,180	6.7%	

* < 25% of State (1.7%)

Source: DoLA - Colorado State Demographers Office January 2018

Only one of the five counties (San Juan) met EZ eligibility criteria for both **population** growth from 2012 – 2016, and **unemployment** for 2016. In last year’s report, two counties were eligible based on population.

Past year Efforts to Improve Conditions

With significant education provided around the boundary changes that went into effect in 2016, this year Region 9 focused primarily on the region’s EZ Contribution Projects. Numerous presentations were held with organizations interested in being designated an EZ Contribution Project or needing training due to changing staff. Our EZ staff participated in peer reviews at the State level, and locally provided education to all Projects about the new Project policies. This involved meeting with projects that had low EZ donor participation or were approaching their project term limits.

Specific EZ activities included:

- Met with six organizations interested in applying as EZ Contribution Projects. To date, one was approved.
- Provided EZ Annual Report and county specific EZ data to all Region 9’s government jurisdictions.
- Included EZ information in Region 9 bi-annual newsletters and County Performance Reports.
- Maintained a contact list of regional accountants that is continually updated. EZ information is distributed via email as needed. This included availability of Salesforce, tips, form updates, deadlines and instructions.
- Supplied EZ information packets to the general public and area economic development groups for distribution to businesses.
- Cited EZ information in Region 9 brochure and other materials, as well as in monthly updates distributed to our Board of Directors, funders and governments.
- Continually updated the Enterprise Zone Contribution Project email tree and provided information as necessary. This includes forms, deadlines, tips and reminders.
- Participated in bi-monthly EZ Administrator phone calls as well as peer reviews, trainings and EZ Administrator meetings
- Provided EZ information on Region 9 website including forms, new policies and maps of new eligible areas.
- Explored a potential boundary amendment surrounding the Durango/La Plata County Airport.
- Worked with each county’s economic development staff and board of directors to promote Enterprise Zone opportunities.

Objectives Report

Local Enterprise Zone objectives were identified by Region 9 first in 2009 to measure how the Enterprise Zone tax credits are improving our economy. Those objectives continue to be tracked on an annual basis, but we are updating several objectives for 2018 to be more measurable and specific. Overall, Southwest Colorado is seeing improved economic conditions as we now have two counties out of five that are not considered distressed. In 2009, we only had only one non-distressed County.

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

La Plata and Dolores Counties had an unemployment rate less than the state unemployment rate. This is the second year for Dolores, though La Plata County has met this goal from 2008 to 2016. This objective will be dropped next year because it is too broad to attribute unemployment directly to EZ participation.

	2016 Unemp. Rate	*EZ Eligible > 7.5%	Objective 1 < or = to State
Archuleta	6.7%	No	No
Dolores	3.6%	No	Yes
La Plata	5.1%	No	Yes
Montezum	6.5%	No	No
San Juan	10.3%	Yes	No
Colorado	6.0%		

*at least 25% above State Avg (6.0%) = 7.5%

Source:(ACS) American Community Survey Five Year Estimates 2012-2016.

2016 Per Capita Income			* EZ Eligible	Objective 2 > or = to State PCI
County	PCI	% of State	< \$24,922	
Archuleta	\$ 28,649	86%	No	No
Dolores	\$ 21,112	64%	Yes	No
La Plata	\$ 32,953	99%	No	No
Montezum	\$ 22,738	68%	Yes	No
San Juan	\$ 29,427	89%	No	No
Colorado	\$ 33,230			

*75% of State PCPI= \$24,922

Source:(ACS) American Community Survey Five Year Estimates 2012-2016.

Objective #2 Per Capita Income (PCI) for each of the counties should be equal to or greater than the state PCI. Income increased in all five counties though two, Dolores and Montezuma still met eligibility criterion for PCI in 2016. 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 2016. This objective will also be dropped next year.

Objective #3 Increase the number of EZ inquiries to the Region 9 office which indicates either a direct referral or just interest in the program.

In 2016, we began measuring the number of EZ inquiries received directly by our office. Those inquiries totaled 144 different contacts in 2016 and 108 in 2017. Region 9 works with each county's economic development staff to promote Enterprise Zone opportunities to their businesses. This year, we have continued to see growing participation in the Enterprise Zone in Montezuma County because of local staff efforts, and we expect to see numbers grow in San Juan County with their new economic development staff.

2017	Region 9			
	# Businesses Filing	Tax Credits	\$ Invested	Jobs Created
Archuleta	37	\$ 110,547	\$ 1,263,568	29
Dolores	25	\$ 23,002	\$ 614,646	1
La Plata	27	\$ 68,930	\$ 1,201,532	-27
Montezuma	137	\$ 415,523	\$ 9,458,478	137
San Juan	1	\$ 918	\$ 30,608	0
Total	227	\$ 618,920	\$ 12,568,831	140

We also expected to see Objectives #4 and #5 reflect our direct outreach efforts but the data doesn't support that. Even businesses that we can get to pre-certify appear to not be following up with certification. It appears businesses are pre-certifying "just in case", but then do not earn actual credits or do not follow through with certification.

Objective #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%

Despite less direct business outreach this year there was a slight increase in the number of participating businesses. 2012 represents an anomaly we believe was due to the transition to the on-line 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.

Objective #5 Target businesses involved in other Region 9 programs. Inform them about all EZ tax credits. Track how many utilize the credits.

The table below lists the number of non-duplicative businesses utilizing EZ tax credits that Region 9 worked with through our loan program or individual technical assistance. Businesses that claim EZ business tax credits are tracked annually and by county. The supporting list of businesses is available by request. We believe these numbers should be greater because we consistently inform our loan clients about tax credits and track all inquiries to our office. However, we do see many of the businesses in which we work, making use of the credits each year after our referral.

	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>
2017 4 Businesses	<u>0</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>

Objectives for Coming Year

1. Increase the number of participating businesses, particularly in our enhanced counties of Dolores and San Juan by providing individual follow-up if they do not pre-certify within 1 month of receiving information. (Expansion of current objective)
2. Conduct five presentations in which EZ tax credits are highlighted. **(New)**
3. Increase the number of EZ inquiries made to the Region 9 office over the previous year. This includes either a direct referral or just interest about the program.
4. Target businesses involved in other Region 9 programs and inform them about all EZ tax credits, and then track how many of these businesses utilize the credits.