



SOUTHWEST ENTERPRISE ZONE – 2018 ANNUAL REPORT

Overview

The Southwest Enterprise Zone is administered by the Region 9 Economic Development District of Southwest Colorado Inc. (Region 9). Region 9 is a nonprofit, 501 (c) 6 public/private partnership that 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) as a federally designated economic development district; serving as a State Data Affiliate with the Colorado Demography Office; Southwest Enterprise Zone Administrator; and special programs such as the Southwest Accelerator Program for Entrepreneurs (SCAPE).

The Southwest Enterprise Zone covers the same five county service area as Region 9. Wildfire and drought have dramatically impacted Southwest Colorado’s economy this past year where tourism is 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 being home-based and/or location neutral. 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 that have declined, dramatically impacting the tax revenues of La Plata and Montezuma counties. 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

Business participation in the EZ Program has been continually declining in our region (demonstrated by the chart on page 3) but the number of tax credits, investment and jobs created vary widely each year. Several business high density areas are no longer EZ eligible since the 2016 boundary update, which has impacted participation numbers. However, we are seeing more participation in our small distressed communities.

	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
2018	\$ 1,111,662	\$ 31,102,433	100
% Change 17-18	80%	147%	-29%

Region-wide, in 2018 there were 28 designated Enterprise Zone Contribution Projects (1 newly designated). These Projects generated about **\$2.8 million** in economic activity through direct and in-kind contributions. This is comparable to 28 Projects in 2017 at \$3.3 million, and 30 Projects with \$3.7 million in economic activity in 2016.

In the Southwest Enterprise Zone, three counties, Dolores, Montezuma and San Juan meet the EZ economic distress criteria on a county level. In the 2016 redistricting, La Plata and Archuleta were not eligible on a county level, so instead each census tract was evaluated individually on the economic distress criteria. There are two tracts out of ten that are NOT eligible in Archuleta, and thirteen tracts out

County	Population Requirement	2013 - 2017 Pop. Growth	2017 Unemp. Rate	2017 PCI	EZ Qualify
Archuleta	Yes	No	No	Yes	Yes
Dolores	Yes	Yes	No	Yes	Yes
La Plata	Yes	No	No	No	No
Montezuma	Yes	No	Yes	Yes	Yes
San Juan	Yes	No	No	No	No
Data Source	DoLA	DoLA	CDLE-LMI	BEA	*

of thirty-three in La Plata County that do not meet the distress criteria. However, Archuleta joins Dolores and San Juan Counties as being designated as Enhanced Rural Enterprise Zones (EREZ) through 2020.

Past year Efforts to Improve Conditions

With the transition of Enterprise Zone Contribution Projects to the on-line Salesforce system, Region 9 focused primarily on training our EZ Contribution Project staff. Two Zoom trainings were held in March 2018 to familiarize the staff with Salesforce and individual follow-up trainings were held. Our EZ Administrative staff participated in monthly peer reviews at the State level and traveled to Denver to attend the Colorado Department of Revenue Division of Taxation stakeholder work group to discuss potential rule revisions. The new EZ policies also resulted in five of our projects having year-end end dates. We worked with all five on their options. Four reapplied and were approved and the fifth did not make it through the Peer Review process. We also met with two projects expiring in 2019 to strategize regarding their applications.

Specific EZ activities included:

- Met with eight 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.
- 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.
- Began work on an EZ information brochure. It will be completed in 2019 now that we have Dept. of Revenue guidance on in-kind contributions.
- Continually updated the Enterprise Zone Contribution Project email tree and provided information as necessary. This includes forms, deadlines, tips, recertifications, organizational MOUs 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 new policies and maps of eligible areas.
- Assisted La Plata and Montezuma counties with adding an Enterprise Zone GIS layer on their websites.
- Made six EZ related presentations, including at the SW Women's Conference. One of our organizational EZ goals was to conduct at least five presentations.
- Provide marketing verbiage to all local Contribution Projects to promote EZ credits, many which were used in their organizational newsletters. The United Way of SW Colorado promoted all regional EZ Contribution Projects that were United Way partners as an example.

One **EZ program success story** is KSUT public radio, an approved infrastructure project. Their EZ Project designation helped them reach their fundraising goal of collecting \$1 million by September 30th. This solidified a matching grant of \$1 million from the Southern Ute Indian Tribe.

Region 9 also worked with Tailwind Nutrition, a 2017 Colorado Company to Watch, that is seeking larger facilities and looking to purchase in Enterprise Zone eligible areas.

Objectives Report

Internal organizational Enterprise Zone objectives were identified several years ago to make sure Region 9 was doing our part educating the region about EZ eligible areas.

Internal Objective #1 - 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 216 in 2018 as compared to 108 in 2017 and 144 different contacts in 2016.

Internal Objective #2 - 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	29%	9%
2017	227	-0.4%	-23%
2018	200	-12%	-12%

2018	Region 9			
	# Businesses Filing	Tax Credits	\$ Invested	Jobs Created
Archuleta	21	\$ 54,212	\$ 700,297	22
Dolores	19	\$ 204,367	\$ 6,686,122	1
La Plata	18	\$ 53,502	\$ 1,185,235	18
Montezun	138	\$ 790,916	\$ 22,247,133	59
San Juan	4	\$ 8,665	\$ 283,646	0
Total	200	\$ 1,111,662	\$ 31,102,433	100

Internal Objective #3 - Target businesses involved in other Region 9 programs. Inform them about all EZ tax credits. Track how many utilize the credits.

	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>
2018 9 businesses	<u>2</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>

This table lists the number of non-duplicative businesses utilizing EZ tax credits that Region 9 has documented that we 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 higher 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.

We also expected to see Internal Objectives #2 and #3 reflect our direct outreach efforts but the data doesn't support that. Though Region 9 is fielding an increasing number of enterprise zone related inquiries, our participating businesses are not growing. It appears that even businesses that we can help pre-certify appear to not be following up with certification.

Objectives for Coming Year

Our Enterprise Zone has internal program goals as well as regional economic development objectives. The internal goals for this next year include:

1. Complete EZ Program Brochure.
2. Increase the number of EZ inquiries made to the Region 9 office over the previous year's 216. This includes either a direct referral or just interest about the program.

3. Target businesses involved in other Region 9 programs and inform them about the EZ tax credits, and then track how many of these businesses utilize the credits.
4. Increase the number of participating businesses, particularly in our enhanced counties of Archuleta, Dolores and San Juan by providing an Enterprise Zone information session in each county.

The Regional EZ economic development objectives and activities include:

1. **Facilitate the creation, enhancement or expansion of community amenities or attractions which make southwest Colorado an attractive place to live and visit.** –Region 9 will outreach 5 new business contacts in each county and provide them information on Enterprise Zone tax credits.
2. **Meet the diverse Housing needs in southwest Colorado.** Six of our Contribution projects focus on housing programs and service covers all five counties. These organizations have directly impacted the number of affordable housing options available; from small Habitat organization projects to a multi-million-dollar multi-family housing. In 2019, Region 9 will update regional housing data for distribution and to keep the community informed about this key economic issue. SW Enterprise Zone Administrator will also serve on sub-committee to define and revise EZ polices around homelessness and job training.
3. **Maintain, develop and diversify the key industry sectors in the region that bring in outside money to strengthen the local economy (agriculture, tourism & healthcare).** We have three rural healthcare facilities and two visitor attraction Contribution projects that fit this goal. Region 9 will see the number of our key industry sector businesses (ag, tourism, and healthcare) increase over the previous year.
4. **Ensure that Southwest Colorado has the physical infrastructure and job training needed to plan for, compete, and meet challenges and workforce needs.** Ten of our 28 EZ Contribution projects focus on job creation and physical infrastructure. In addition to the building campaign of KSUT’s new media center mentioned earlier, a new Engineering and Sciences building at Fort Lewis College, and Hospice Residence have also been built due to Enterprise Zone tax credits. Region 9 will outreach 5 organizations that could possibly be approved as Enterprise Zone Contribution Projects for their capital campaigns or job training in 2019.
5. **Build the capacities of county-level economic development groups that are working to accomplish prioritized, locally defined economic development projects.** There are county-level economic development groups in each of our five counties, that Region 9 helps to support and mentor in our rural region. Two are designated EZ Projects and provide “boots-on-the-ground” to promote the availability of the Enterprise Zone as one of our business incentives. These groups were critical with the 416 wildfire this summer as well as providing business resources through on-going drought conditions. This next year, each of these groups will provide Enterprise Zone information, electronically, in paper and through community presentations.