

Economic Development Strategic Plan Executive Summary Delta County, CO

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Introduction

In 2015, Region 10, a 501(c)(3) Economic Development District that services six counties in western Colorado, including Delta County, was awarded a grant from the Economic Development Administration (EDA) to conduct an economic development strategic plan to identify ways to ameliorate the impact of recent and anticipated job losses in the coal mining industry and diversify the local economy. Region 10, in collaboration with Delta County Economic Development, Inc., City of Delta, and Delta County hired an economic development consulting firm, Better City LLC, to conduct the strategy and assist with follow-on implementation. The following is a summary of this strategy that was completed at the end of 2015.

Fundamental Economic Challenges

In 2009, along with much of the nation, many local jobs were lost and output declined in Delta County (the “County”). Additionally, extraction related employment in certain areas of the County is subject to changes in global commodity prices and the regulatory environment. Recent changes in these external factors have resulted in continuing coal mining job losses that have exacerbated declining economic conditions and reduced the availability of higher paying jobs with benefits. During this time agriculture has been a key driver of the local economy, remaining relatively consistent despite declines in a number of other industries.

The agriculture sector is a key source of outside revenue for the County and is a promising area for future growth. Crop and livestock production has remained an active part of the local economy, and agricultural support services are growing. Measures to reclaim some of the losses that have occurred in food manufacturing may help to further enhance this sector and bring additional prosperity to the region. Other potential growth areas include recreation and information industries. Identifying avenues to support the development of these industries could provide additional diversification to the local economy.

In addition to these industry factors, the County has an older population, which brings with it some workforce concerns as many of these individuals approach retirement, but also brings significant personal income transfer. This provides additional outside revenue to the County and increases local economic activity.

A viable economic strategy for the County will need to identify the best ways to leverage the strength of the agriculture industry to provide additional, higher wage jobs and identify other areas to diversify the local economy.

Industries, Jobs, and Wages

The industries that have been key drivers for the economy from 2001-2013 have been agriculture, government, including public education, and mining. Government and mining were especially important from 2001-2010 due to their job growth and above average total payroll. Both of these industries declined from 2010 to the present time, which is concerning, as it likely

put significant strain on the economy. Other employment is primarily in secondary support industries such as healthcare and retail.

The most prominent industries in the County in terms of number of jobs are public education, agriculture, retail trade and health services. Agriculture provides the largest number of direct basic jobs, which bring in revenue from outside the County. Mining, retail trade, and health services also provide a number of direct basic jobs to the County. Industries that require easy access to thoroughfares such as transportation and warehousing and wholesale trade are poorly represented in the County. Other industries that employ few residents include information and arts, entertainment, and recreation.

Revenues for local businesses declined slightly between 2010 and 2011 and have since remained flat. Historically, the most prominent industries in the County based on payroll are government (including public education) and mining. Health services and retail trade also play a significant role. Although agriculture provides a large number of jobs to the region, its contributions to payroll are far less significant.

An economic development strategy for the County should address the declining employment in major industries by expanding emerging industries and identifying ways to increase the economic impact of the agriculture industry.

Demographics and Employment

The County experienced steady population growth until 2010 primarily driven by migration, but large out-migrations in 2011 and 2013 due to job losses, countered some of that growth. The annual population growth rate for this period was 0.4% while the statewide growth rate was 1.5%. The median age in the County increased from 42.7 in 2000 to 46.9 in 2013 and is significantly higher than the state average of 36.8. The County has a high concentration of individuals aged 50-69 and a low concentration of individuals aged 20-49. These demographics are a potential area of future concern because as individuals in the County retire, there are currently not enough new workers to replace them. As net migration tends to follow job growth an increase in available jobs could attract new residents to the County.

Levels of educational attainment in the County are significantly lower than State averages with only 21% with a college degree compared to 41% for the State. This is an impediment in being able to attract employers seeking a highly-educated workforce.

Labor force participation in the County of 65% is on par with the statewide level of 66%. Unemployment has steadily declined from a high in 2010 of almost 10% to approximately 6% in 2015. This is higher than the statewide average of 5.2%. In 2016, additional cutbacks in the mining industry occurred and these continuing job losses will negatively impact the unemployment rate.

Competitive Differentiation

Delta County is home to a number of unique resources, attributes, organizations, and conditions that help differentiate it from other communities. The County is home to natural attractions including two rivers, the Grand Mesa National Forest, and two National Conservation Areas. The County enjoys a more temperate climate than the majority of the state, has a large amount of farmland, and has access to water resources and clean air. The County's primary extractable resource, coal, currently faces a number of market challenges including governmental regulations and low cost substitutes. Although its coal deposits remain a vital asset for the community, they are not a source of future growth.

The County is home to a number of unique organizations, especially in the agricultural industry. The North Fork Valley is a Colorado Creative District, includes the West Elks American Viticultural Area, and the Valley Organic Growers Association. The County also has the Delta-Montrose Technical College with a number of programs that provide needed job skills to the local labor force.

The County's largest advantage in terms of the cost of doing business is low labor costs. Utility, shipping, and real estate costs are also competitive with comparison communities.

The County faces some disadvantages including a small local market and significant distance to a major metropolitan area. It has limited access to healthcare providers, and has a lower level of educational attainment than several surrounding communities. The County also faces a significant disadvantage in broadband access limiting its competitiveness in a number of industries; however, efforts are currently underway to address this issue. Doing so will shift the local dynamic to enable additional economic growth.

The County's points of differentiation position agriculture as the industry with the strongest potential for growth. Among export-oriented industries, manufacturing also has expansion potential given these competitive advantages.

Industry Assessment

Combining local competitive advantages with expected national trends indicates that construction, agriculture, manufacturing, education, and retail trade are the industries best positioned to expand in the local economy. Focusing on export oriented industries with growth potential such as agriculture, manufacturing, and tourism is recommended because growth in these sectors will stimulate growth in other industries as well.

Despite lackluster projected growth in agriculture industry-wide, projections for organic agriculture growth are significantly higher. In 2013, the industry grew 11.5% from the previous year, and industry reports anticipate 14% annual growth through 2018. A strong agrarian tradition, innovative new producers, and a number of strong organizations allow the County to

position itself as the focal point for sustainable agriculture in Colorado and as a national center of excellence.

This position will allow for growth not only in agriculture, but in manufacturing and tourism also by integrating food manufacturing, agricultural technology manufacturing, food tourism, culinary arts, and industry conferences and events. Strategic investments by a number of stakeholders in facilities, attractions, amenities, and community development will likely be necessary to create an environment where this can occur. Such an effort could lead to Delta County becoming the community of choice for entrepreneurs and businesses in a variety of subsectors of agricultural and related industries.

Recommendations

As previously stated, efforts to expand the economy should be focused on the export oriented industries of agriculture, manufacturing, and tourism. Projects associated with this strategy must be transformative, changing the market dynamics and kick starting a virtuous cycle of development. Given the strong agricultural foundation the County enjoys, a strategy that focuses primarily on agriculture and identifies synergies between agriculture and the manufacturing and tourism industries will likely have the greatest success. The following projects were selected due to their ability to impact the market dynamic or address a current need. The net effect of the projects will be to generate regional and national awareness for the County and increase demand for its goods and services. The proposed projects are:

- Create a nationally recognized Sustainable Agricultural Center of Excellence;
- Build a destination retail venue for locally produced food;
- Establish a regional food hub;
- Expand and add food processing operations;
- Develop a manufacturing innovation center focused on agricultural technology;
- Build a national brand select service hotel downtown and develop a corridor to the river;
- Develop recreational assets on lakes and along the river, and improve trails;
- Build additional farm laborer housing.

Many of these projects build off of and enhance the County brand as a nationally recognized center of excellence for sustainable agriculture. Food manufacturing and an agricultural technology innovation center expand the agricultural focus into manufacturing. The development of a hotel and recreational venues offer expanded tourism opportunities to visitors and increase the potential output of the tourism industry. Together, these projects offer opportunities to capture additional revenue and increase jobs in existing segments of the economy and expand into new sectors.

Of the projects proposed above, the steering committee identified three for implementation. These include the hotel, riverfront activation, and food manufacturing incubator as described

in more detail below. Better City conducted feasibility studies for each of these three strategic projects.

Riverfront Activation

Although there are numerous recreational opportunities available throughout the County, the City of Delta appears to be uniquely positioned to capitalize on the development of recreational amenities due to the location of the Gunnison River, which is in proximity to the city's commercial area. Activating the river with access points for river recreation, observation and picnic areas, and trails will create an attractant that will draw visitors who in turn will patronize local businesses. Additionally, it will provide quality of life amenities to residents and the desired workforce demographic and improve the marketability of property along the river for targeted commercial and residential development.

Hotel, Conference Center, and Restaurant Gateway Project

Targeted development along the river corridor includes a new flagged hotel, conference center, and restaurant. Delta lacks branded properties offered by Hilton, IHG, and Marriott so many hotel patrons that should be stopping in Delta are bypassing the community. Hotel demand is sufficient to warrant the development of a 60-room hotel and conference center and a hotel operator has expressed interest in developing the project. This development would benefit from the riverfront activation project by providing additional amenities for hotel patrons and conference center attendees. The hotel project is anticipated to be an \$8.6 million project and create approximately 20 jobs. The conference center investment depends on the size of the center and level of public investment and is estimated to be \$1.1 million. The restaurant project is anticipated to be a \$2.75 million investment and create approximately 15 jobs.

Food Manufacturing Incubator

Food manufacturing is a stable industry that hasn't experienced the same cycles as other major employers in the region. Developing a value-added food manufacturing industry in the County will leverage the existing and established agricultural industry to provide additional, higher wage jobs. Entrepreneurial infrastructure is needed to facilitate business formation and job creation within the industry. This infrastructure includes a food manufacturing incubator as well as support services in areas such as co-marketing, co-branding, channel distribution, and transportation. Delta County can establish itself as the Mecca of food manufacturing by aggressively recruiting companies and entrepreneurs to the area once the support services are built.

Public Participation

The private sector is the primary driver of economic prosperity and the free market is the most efficient means to allocate resources. However, public agencies also play an important role in implementing this strategy. Local government and other organizations are vital in creating an environment where private enterprise can grow and expand and addressing issues the free market cannot.

One key area of public involvement involves public goods such as public safety, infrastructure, and parks that benefit an entire community. The market often fails to provide these goods because individuals know they will benefit from the goods regardless of whether they are the ones who pay for them. Having well developed public assets is important in attracting both businesses and workers to a community.

Other areas where public agencies can help overcome market failures involve positive externalities, or benefits that a private development provides to other businesses but from which it does not capture revenue. For example, a new downtown development will increase property values and bring additional business to surrounding businesses making the total value of a project larger than what the developer receives. If the projected private returns for a project are too low to make a project feasible, but the total value of the project would make it feasible, the public sector can bridge that gap through tools such as tax increment financing or other incentives.

Tax Increment Financing

One common method to help close a project financing gap is through Tax Increment Financing (TIF). Under Colorado law, TIF is enabled through the creation of a local Urban Renewal Authority (URA). Essentially, TIF captures a portion of the value that is created by a new development and returns or refunds a portion of that value back to the developer to help close the gap between capital and operation requirements, and the project revenue.

For example, a new multi-million dollar commercial development would generate significant property and sales tax revenue beyond what is currently being produced on an existing parcel. The additional tax revenue is referred to as the “tax increment.” The URA is able to capture a portion of the tax increment, and it is returned to the project to help cover the debt service and other expenses. In this regard, a developer is able to leverage the tax increment to close a financing gap, which allows the project to move forward.

Other Incentives

Programs through the State of Colorado and Federal government provide funding for economic and recreational development projects. The County and other local subdivisions of government can work together to secure these sources of funds for the strategic projects noted above. Funding sources include the Department of Local Affairs (DOLA), Go Outdoors Colorado (GOCO), Economic Development Administration (EDA), and United States Department of Agriculture Rural Development (USDA-RD).

Implementation

In August 1985, the City of Delta established the Delta Urban Renewal Authority (DURA), whose boundaries are co-terminus with the City of Delta municipal boundaries, to facilitate community investment and redevelopment. The City of Delta is seeking, in collaboration with other taxing entities, to utilize the DURA to facilitate strategic redevelopment for the Gateway and Riverfront Activation projects. The City of Delta in partnership with DOLA, has recently been awarded \$100,000 for preliminary design and engineering efforts for the riverfront activation project. Additional grants from other sources are currently being pursued for other implementation efforts and it is anticipated that tax increment from the Gateway project will be made available as matching funds for grants through DOLA, GOCO, EDA, and USDA to fund the other strategic projects.

Although a letter of interest has been secured from a hotel developer to anchor the proposed Gateway project with a nationally flagged hotel, the DURA will be issuing a Request for Qualifications (RFQ) from qualified hospitality developers to invite competition. A conference center will also be developed and a feasibility analysis is currently being conducted to determine the appropriate size of the center. It is anticipated that the conference center would be constructed using tax increment financing and other public funds with the operations of the facility being the responsibility of the private sector.

In addition, a private company has moved forward with the development of a food manufacturing incubator in Paonia. Region 10 and DCED are now contemplating how best to complement this effort whether through the establishment of a center of excellence, evaluating existing facilities for adaptive reuse for food manufacturing, and/or the development of a food manufacturing industrial park.

An industrial park will need to be located where there can be sufficient culinary and secondary water, sanitary sewer and plant treatment capacity, storm sewer, natural gas, 3-phase power, transportation systems (highway and rail) and broadband infrastructure to accommodate food manufacturing uses. Although a site has not yet been identified, it would most likely need to be located in or very near the City of Delta due to these infrastructure needs. A large industrial park of 120 acres or more would be of sufficient size to achieve economies of scale and accommodate users of various sizes for new construction. Industrial park highway and rail access would be beneficial.