



Colorado Economic Chronicle

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National Economy

by Josh Harwood

Upward revisions to inventories and the trade balance led to annualized growth in inflation-adjusted **gross domestic product** (GDP) of 5.3% in the second quarter of 2000. Second quarter **productivity** growth was also revised upward, to 5.7%. The tight labor market has caused many businesses to move toward greater capital investment, thus increasing productivity and stimulating long-term growth.

“The tight labor market has caused many businesses to move toward greater capital investment...”

Consumer confidence weakened slightly in August, though remained higher than in June. The decline was caused largely by a significant dip in consumers' assessment of current conditions, although their expectations for the future dropped slightly as well. Both of these were likely impacted by rising energy prices and continued stock market volatility. Despite the slowdown in confidence, retail sales increased 0.2% in August, following a 0.9% gain in July. The growing popularity of the Internet continues to rise as the online shopping index, fueled by back-to-school purchases, was up more than 4% in August. The **saving rate** hit a record low of -0.2% as robust consumer spending outstripped modest income growth. By comparison, the saving rate averaged over 8% in 1991.

Employment is beginning to show signs of softening. Due to continued layoffs from the census and the Verizon strike, payrolls decreased by 105,000 jobs during August, after a 50,000 job decline in July. This marks the first time since 1992 that consecutive months posted declines. Meanwhile, labor costs dropped slightly, resulting from substantial productivity increases in the second quarter. The **unemployment rate** was 4.1% during August, inching up from 4.0% in July.

The **manufacturing** sector provided largely sluggish results in July. Factory orders fell 7.5%, while durable goods orders experienced its largest decline on record, falling 12.4%. Extended shortages in the electrical equipment sector have caused prices to rise steadily during 2000 as chip manufacturers continue to fail to meet the growing demand. The decline in factory orders was caused largely by a \$20 billion decline in aircraft orders. Despite the slowdown in orders, industrial production increased by 0.3% in August, led by strong demand for business equipment. Also, the National Association of Purchasing Managers' index fell below the critical 50% level for the first time since January 1999, dropping to 49.5% in August. A level below 50% indicates contraction.

Available data released for the **construction** sector during the last month remained strikingly mixed. **Existing home sales** fell well below expectations in

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July, plummeting nearly 10%. This decline follows unexpected increases of 4.3% in both May and June. Rising interest rates appear to be having a negative impact on the market. However, **new home sales** rose by its largest margin in seven years, jumping up nearly 15%. Mortgage rates below 8% have helped overall home sales growth during the summer months. Total **housing starts** rose 0.3% in August, its first increase since February. Overall construction spending experienced a broad-based decline in July as it decreased slightly for the fourth consecutive month. Office construction spending was relatively flat, though new construction starts continued to exhibit steady growth. Although both remained higher than last year's levels, retail construction slowed, and industrial building decreased for the first time this year.

Inflation slowed in August, almost entirely a result of a dip in energy prices. The consumer price index decreased 0.1% in August, following a 0.2% increase in July. The core index, which excludes volatile food and energy prices, increased 0.2 percent in August. The softening labor market also helped to

reduce inflationary pressures. The **producer price index** for July temporarily quelled inflation fears as it also dropped 0.2%, following a series of steady increases. The index has followed energy prices for much of the year, so analysts expect that this drop will be short lived. In trade, import prices rose 0.2% in August, bringing them to a level 5.8% higher than a year ago. Meanwhile, export prices remained relatively stable, falling only slightly in August for the third consecutive month.

Economic news released during the past month was cautiously optimistic. There are obvious signs of a slowing economy, which should allow the Fed to avoid raising interest rates further. The biggest concern at this point of the expansion has been inflation, and though recent news suggests that policies to combat it have been effective, increases in energy prices are expected to drive up overall prices in September and beyond. Despite the signs of a slowing economy, increased productivity combined with low labor costs and low mortgage rates signal a relatively stable and healthy economy.

Colorado Economy

by Jonathan Lurie

Employment

The Colorado unemployment rate was 2.7% in July, a rise from 2.3% in June. The latest figure was still lower than the 3.0% rate in July 1999. The unemployment rate has not exceeded 2.8% this year and has been less than 4.0% since August 1998. Non-farm wage and salary employment decreased a slight 0.2% from June but increased 2.6% over July 1999. Through July, employment was 3.6% higher than the first seven months of 1999.

According to the Population Reference Bureau, Colorado has the fourth highest percentage of college-educated workers in the nation. Of the state's primary working age population between the ages of 25 to 54, 36% have a college degree. Only the District of Columbia, Maryland, and Massachusetts had

a higher proportion. The national average was 28%. The report also found that Colorado has the highest percentage of women in the work force.

“...Colorado has the fourth highest percentage of college-educated workers in the nation.”

There was some mixed news regarding Colorado employment gains and losses this past month. Qwest announced it will trim 3,000 jobs in order to streamline operations. Marathon Oil announced plans to close a Littleton office, eliminating 150 jobs. FirstWorld Internet Express eliminated 20 jobs in Colorado Springs. On the positive side, Cisco intends to hire 160 new workers in Boulder by 2001. Gigaset hopes to hire between 25 and 30 new employees in Longmont by the fall. FedEx suggested

that 150 employees would be hired by mid-2001. In Colorado Springs, OAO Corporation expects to add over 200 workers for contract and subcontract work, and Atmel Corporation hopes to create 1,000 jobs once its new plant opens next year. Global Image Technologies plans to add 33 employees to its Fort Collins headquarters by the end of the year. Rocky Mountain Steel Mills hired 100 former workers in Pueblo for a reopened tube mill. These news items are discussed further in the regional sections in this edition of the Chronicle.

Colorado's Economy at a Glance

<i>Key Indicators</i>	<i>Direction</i>	<i>Assessment</i>
Nonfarm Employment Growth		Good
Unemployment Rate		Good
Mortgage Rates		Neutral
Retail Trade Sales		Good
Home Prices		Good
Nonresidential Construction		Bad
Colorado Inflation Rate		Neutral
Overall Rating		Good

Residential Construction

According to F.W. Dodge, the number of housing permits fell 7.8% through July, compared with the same period last year. Single-family home permits fell by 6.1% while multi-family permits dropped by 11.5%.

The Lowry Redevelopment Authority revealed plans to build 950 homes on 233 acres of the converted **Lowry** Air Force Base. Over the next three years, several projects will create a range of home types and prices. McStain Enterprises will build 400 homes, each around 1,000 square feet, in the \$125,000 to \$150,000 range. Stites Development will also build 18 duplexes with prices starting at \$200,000. Three developers will begin construction on another 270 homes with prices beginning in the high \$200,000s. Braiman Properties will offer 30 townhouses starting at \$300,000. There will also be several custom homes starting at \$500,000 and estate-size lots for homes priced at \$800,000 and higher.

The northeast corridor to Denver International Airport is one of the few remaining available undeveloped areas in the city and county of Denver. Plots are becoming even more scarce as 1,300 acres were swallowed by a plan to create a mixed-use area of office, industrial, residential, and retail in the **Parkfield** Area of Northeast Denver. Parkfield Partners also announced plans to develop 300 acres just southwest of the airport for residential and commercial uses. As many as 950 homes could be built.

Gart Properties is adding an 152-unit, \$45 million project to central Denver. WaterTower Lofts will overlook the **Central Platte Valley** where several plots have been snapped up for residential construction in the past year. Prices will range from \$150,000 to \$600,000 for each unit. Ninety-six of the units will be the result of the renovation of the 108-year old Benedict Warehouse. The remaining 56 units will be added in an adjacent building when 80 of the 96 first-phase units are sold.

The **Uptown** neighborhood in Denver, just northeast of Capitol Hill, is seeing a wave of residential redevelopment. Swallow Hill condominiums, a \$30 million project between Clarkson, Emerson, 17th and 18th avenues, will break ground in December, with 112 units ready for occupancy in the summer of 2002. Within hours of beginning pre-sale offerings, 10 units were sold, worth an average price of \$350,000. The condos range in size from 1,000 to 2,200 square feet.

Nonresidential Construction

Colorado is seeing less nonresidential construction through August, relative to a strong early 1999. According to F.W. Dodge, the value of nonresidential construction fell 23.3% through July, compared with the same period last year.

As residential construction projects pile up in the **Central Platte Valley** in Denver, one project stands out for commercial development. Legacy Partners will build a 10-story office tower at the end of 16th Street. Construction on the 290,000-square-foot building is expected to begin in early 2001 and finish in mid-2002.

Shea Properties began construction on an 161,000-square-foot office complex in **Highlands Ranch**. Visa USA will occupy the building for its debit processing center. The \$24 million, 15.4-acre project includes a one-story, 50,000-square-foot data center and a three-story, 111,000-square-foot office building. Construction should be completed by mid-2002 when Visa hopes to have hired 75 new employees.

A new outdoor sports park to be set east of **Aurora** was unveiled last month. The \$500 million, 5,500-acre plan, called WorldPark, would include a NASCAR speedway, amphitheater, water park, Grand Prix road courses, shooting ranges, and polo fields. Bandimere Speedway, a drag race park in Jefferson County, has already agreed to relocate to the proposed WorldPark. The plan also provides space for a golf course, a law enforcement training center, an auto sales and testing center, a municipal fairgrounds, and retail parcels. In order to annex the unincorporated land, the project must first be approved by the Arapahoe County Planning Commission and then must pass an Aurora ballot initiative amending city subsidies on racetracks.

There was several developments announced in Boulder County this past month. W.W. Reynolds, a commercial developer, began construction on a 58,000-square-foot manufacturing plant in **Boulder**. The developer hopes to attract a software development firm. Spring Gulch Meadows revealed an 104-acre mixed-use development in east **Longmont**. The project, called The Villages at Eastgate, will include patio homes, townhouses, pedestrian trails, a community center, and two office parks. Another mixed-use project in **Boulder** will offer 35,000 square feet of office space and 27 condos priced from \$280,000 to \$450,000. The \$17 million Iron Flats project should be finished by 2002.

“Avaya Communications...is expanding its current Westminster facility by 480,000 square feet...”

Avaya Communications, formerly part of Lucent Technologies, is expanding its current **Westminster** facility by 480,000 square feet for a total campus

size of 1.7 million square feet. Across the street from the Avaya complex, North Ridge Investment purchased 105 acres to develop an estimated 1 million square feet of office space. North Ridge plans to develop the land and sell some parcels to builders, keeping some land for an \$150 million anchor office project.

Exports

The Colorado Office of Economic Development and International Trade reported that state exports reached \$3.1 billion for the first six months of June, a 9.4% gain over 1999. The value of goods to Canada, Colorado's largest trading partner, was \$495 million. Exports to Japan increased 14.4%, to \$450 million. The largest export industries were dominated by high-tech categories. Electronic integrated circuits and microassemblies led all specific categories with \$456 million, followed by data processing machines (\$417 million), office machine components (\$282 million), and scientific measuring instrumentation (\$184 million).

Gross State Product

Colorado ranked fifth in inflation-adjusted gross state product (GSP) growth among all states. Between 1992 and 1998, Colorado GSP increased at a 6.6 average annual growth rate. The national growth rate was 3.9%. Arizona (7.5%), Oregon (7.2%), Nevada (6.9%), and Utah (6.9%) ranked higher than Colorado. The Colorado industries with the highest average annual growth rates from 1988 to 1998 were transportation and utilities (8.3%), wholesale trade (8.1%), and construction (7.7%).

Business Conditions

The Vectra Bank Colorado Small Business Index fell to 92.4 in July from a revised 96.3 in June. This is the fourth consecutive drop from its peak of 102.8 in March. The index value of 100 represents the health of small businesses in 1997, when the index began. This recent slowdown trend is partly the result of a tight labor supply and slowing job growth.

The Front Range Purchasing Managers' Index was 50.8 in August. Although the index was above 50, the benchmark that indicates a growing manufacturing economy, the index fell from 53.9 in July and 61.3 in June. Most indicators that form the index were slowing in August.

Personal Income

Revised personal income figures for 1999 revealed that Colorado ranked sixth in the nation in per capita personal income at \$31,546. The national average was \$28,542. Colorado had the highest personal income among western states. Colorado ranked behind Connecticut, Massachusetts, New Jersey, New York, and Maryland. Colorado's per capita income growth of 5.6% also ranked fifth in 1999 behind Massachusetts (6.5%), Washington (6.1%), Wyoming (5.9%), and California (5.8%).

"...Colorado ranked sixth in the nation in per capita personal income at \$31,546."

Energy

Colorado gasoline prices exploded again in September. The weekly average price for unleaded gasoline was \$1.61, just below the record level of \$1.69 measured in June. The highest statewide price for gas was found in Vail at \$1.87 per gallon and the lowest price was in Pueblo at \$1.53 per gallon.

As a result of rising natural gas prices, Public Service of Colorado announced rate hikes totaling \$126.2 million for the upcoming winter. This translates to an average increase of \$29 a month, or 40%, for home utility bills. Commercial customers could pay an average increase of \$146 a month, or 49%.

Agriculture

A hot and dry summer season is expected to lower the expected 2000 harvest for many farmers. The total wheat harvest as of July was 70.5 million bushels,

bringing in \$70 million less than expected. Last year's wheat harvest totaled 103.2 million bushels. As a result of the poor harvest and grazing conditions, ranchers have moved cattle off of national grazing land ahead of schedule and may choose to sell calves earlier than expected to take advantage of rising beef prices.

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The good news is that, as of August, both the inventory and prices for cattle were higher compared with a year ago. The inventory of cattle and calves on feed for the slaughter market in Colorado as of September 1, 2000 was 13% higher than the number a year ago. Mid-August steer and heifer prices were unchanged from a year ago, while cow and calf prices were 7.0% and 19.2% higher than mid-August 1999 levels.

Relative to a year ago, August prices received by farmers were higher for wheat and barley, but prices were lower for corn, potatoes, and dry beans. Wheat and barley crop prices were up from last year by 2.6% and 11.4%, respectively. However, corn, potato, and dry bean prices were down 8.6%, 36.1%, and 1.4%, respectively.

Tourism

After a second straight slow season, Colorado Ski Country USA announced ski areas will spend \$111 million for capital improvements for the next year. This was a 52.4% drop from a record \$233 million spent for the 1999-00 season. One should note that capital improvements exclude real estate development costs. Skier visits have dropped 4.5% each year since the record high 1997-98 season.

While the late spring heat wave translated to revenue shortfalls for ski resorts, the warm months meant increased traffic to Colorado's national parks. Through June, the number of visits to national parks in Colorado increased 2.1% over the first six months of 1999, mostly due to an increased turnout in April and May.

The city of Denver announced that United Airlines and Lufthansa German Airlines will begin nonstop service from Denver to Frankfurt, Germany beginning in March 2001. United's service will be only during the peak summer months, while Lufthansa will fly year round. According to the Colorado International Trade Office, Germany is consistently one of Colorado's top export nations, with \$458 million in exports to Germany in 1999.

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Gaming

The gaming industry continued to shatter revenue records. In July, Colorado casinos brought in \$60.0 million, easily surpassing the previous record of \$52.8 million set in June. August revenues were lower at \$55.3 million, down 7.8% from July, but up 10.4% from August 1999. While the industry has grown tremendously, competition has caused losses for individual businesses. In Colorado's gambling communities, big casinos dominate and small casinos are fighting to remain solvent. The Isle of Capri in **Black Hawk**, the largest casino in the state, added a 237-room hotel on top of the casino, introducing large-scale hotel-casinos to the industry.

Not to be upstaged, Hyatt announced the development of a Black Hawk Casino, a hotel-casino that would include a convention center, a gondola ride, a private mountaintop park, an ice skating arena, stables, and a winery. The entire project is expected to cost up to \$1 billion and take between 7 and 10 years to complete. The first \$160 million phase, primarily including the casino, should be complete by fall 2001. The second phase will focus on the hotel.

Metropolitan Denver

Marathon Oil, based in Houston, announced plans to close a research and development center in **Littleton**, eliminating 150 jobs. At this time, Marathon could

not determine how many of the employees would be relocated. The layoffs come as part of a plan to consolidate and streamline operations.

"...Qwest announced downsizing plans that would eliminate 11,000 jobs nationwide — 3,000 in Colorado..."

As a result of its merger with USWest, Qwest announced downsizing plans that would eliminate 11,000 jobs nationwide — 3,000 in Colorado — and 1,800 contractors by mid-2001. Qwest expects to lay off 2,000 Colorado employees in 2000 and the remaining 1,000 in 2001. By the end of the job cuts, Qwest will employ an estimated 60,000 to 62,000 workers in its 14-state region.

Perry and Butler Realty reported that the average sales price of a single-family home in the metro area reached over \$250,000, a new record. The August average price was 19.3% higher than a year ago. The average sales price of a single-family home increased at a compound average annual rate of 9.9% during the past five years. The median price also hit a record, breaking past \$200,000. The median represents the price where half of all properties closed with a higher price and half closed with a lower price.

After five years of negotiations between the city of **Thornton**, Adams County, and Gateway American Properties, public hearings will begin on the annexation of 1,900 acres for residential and commercial development. The proposed annexation comes with a comprehensive plan including the construction of 5,000 homes, an 18-hole golf course and a 942-acre business park. The planned community, called Centricom-Colorado, will offer 1,500 single-family homes and 3,500 multi-family units. The business park will be accessible by the proposed E-470, which is nearing its final construction phase through Thornton. E-470 should be complete by June 2003.

According to the Denver Metro Convention and Visitors Bureau, second quarter tourist spending for the seven-county metro area (including Boulder and Gilpin) was 7.6% higher than spending a year ago. Lodging nights increased 13.6% and restaurant spending increased 4.3%. Through June, total con-

sumer spending by tourists was 11.1% higher than last year.

Boulder County

Cisco Systems announced plans to occupy 100,000 square feet of new office space in LakeCentre Plaza in east **Boulder**. Cisco will lease 40,000 square feet in the recently completed Hyde Pointe office building. The network giant also plans to lease two other 30,000-square-foot buildings nearby. By February 2001, all 90 local employees should be relocated to the new sites. Cisco also intends to hire 160 new workers by that time.

A public-private partnership between the Boulder Housing Authority and Barrett Studio Architects revealed a residential development plan for Boulder's ailing affordable housing market. In an attempt to attract a variety of incomes, the project will offer between 200 and 300 single-family, studio, and multi-family homes. According to the Boulder Housing Authority, at least 35% of the units will be offered at less-than-market prices and will target middle-income occupants.

Another affordable residential project broke ground on 75 new homes for low-income renters in Boulder. The project, called Foothills community, will offer rents ranging from \$400 to \$1,000 per month. The first units are expected to be available in early 2001 and construction should be complete by the end of next year.

Giganet, a data storage solution provider, announced a new office in **Longmont** last month. The high-tech company expects the office to be operational by November, at which time Giganet will hire between 25 and 30 new engineers. Giganet also has an office in Monument.

El Paso County

Less than a month after FedEx Corporation announced national layoffs totaling 200, the shipping company broke ground on a three-story service center offering 156,000 square feet in the Northgate

Business Park in **Colorado Springs**. The \$20 million office project should centralize four local software support groups, totaling 600 employees. Development plans submitted earlier this year suggested a second building planned for Northgate. The company also hinted that 150 employees would be added once the support center was operational in mid-2001.

As a result of a merger between Colorado Springs-based Colorado Interstate Gas, and Houston-based Coastal, 260 employees are expected to move from El Paso, Texas to Colorado Springs, where the new natural gas company will place its western regional headquarters. The move should be complete by mid-2001.

Cheyenne Mountain Air Force Station will contract with OAO Corporation to service its communication system for one year at an initial funding of \$14 million. The contract can be renewed for up to five years and \$76.6 million. It is estimated that OAO will hire 220 local workers for contract and subcontract work. OAO also expects that the outsourcing will influence military personnel to retire early, filling 15% to 20% of the employment opportunities.

“Atmel Corporation, a semiconductor manufacturer, announced plans to build a new plant on its existing 55-acre site in southern Colorado Springs.”

Atmel Corporation, a semiconductor manufacturer, announced plans to build a new plant on its existing 55-acre site in southern Colorado Springs. The factory should add 580,000 to 720,000 square feet of fabrication space. Upon completion, Atmel expects to hire up to 1,000 new employees. Pending city council approval, construction should begin in the fall and end in the summer of 2001.

FirstWorld-Internet Express closed a Colorado Springs telephone service center, eliminating 20 jobs. Those employees were reportedly offered opportunities at another California call center or placement services for local jobs. FirstWorld, an Internet service provider based in Denver, acquired Internet Express in 1999.

Colorado College completed the first phase of a \$23 million student housing project. Western Ridge is expected to offer over 200 campus dormitory rooms by fall 2001. The project's first phase, Edith Gaylord Hall, opened this fall, providing 20 furnished apartments for around 60 students. Over 400 students entered a lottery for the new spaces.

Northern Region

Global Image Technologies, with its headquarters in **Fort Collins**, announced plans to add 33 employees to its current work force of 17 by the end of the year. The company offers web-based product distribution and provides solutions for business-to-customer support. In an effort to combine a retail presence with business support, GI Tech also plans to double its office space in Fort Collins with the addition of an online shopping area. The retail space will allow GI Tech to showcase the products they support in the same area they develop e-commerce software.

A real estate investor group donated the old State Farm Insurance building, 250,000 square feet of office space, to the University of Northern Colorado (UNC). Valued at \$11 million, it is the largest gift in the university's history. Meanwhile, State Farm Insurance is building a new 500,000-square-foot regional headquarters in **Greeley**. The gift may lead to a third record-breaking year of donations. UNC received \$13 million in FY 1998-99 and \$13.5 million in FY 1999-00.

According to F.W. Dodge, the amount of residential development in **Larimer** and **Weld** counties decreased 4.7% through July 2000. The value of non-residential development in the northern counties decreased 56.6% through the first seven months of the year. Most of the decrease is due to a strong early 1999 in which there were several projects added to UNC facilities.

Southern Region

Final visitor counts at the Colorado State Fair in **Pueblo** revealed that attendance decreased by 5.0% from last year. Final revenue figures were not avail-

able, but preliminary projections suggest that total revenues increased from last year. Several improvements will be added to the fairgrounds in the next year. Water and sewer lines will be upgraded. Three restroom facilities will be added, and the west horse arena will get a new roof, additional seating, and improved lighting.

“Final visitor counts at the Colorado State Fair in Pueblo revealed that attendance decreased by 5.0% from last year.”

Rocky Mountain Steel Mills of Pueblo hired 100 former workers for a reopened tube mill. The workers were from a group of 1,000 union members that walked off the job in December 1997. The mill hopes to retrain the workers and begin production in October.

Mountain Communities

Several ski resorts have dealt with the statewide labor shortage by recruiting workers from overseas. Copper Mountain Resort reported it expects to hire 150 seasonal employees from Australia and New Zealand. **Vail, Avon, and Eagle County** filled 70 municipal and regional transportation jobs on a trip to Australia as well. **Aspen** Skiing Company applied for 170 international temporary work visas, and Winter Park expects between 40 and 50 international temporary workers.

Eighteen months ago, **Breckenridge** town planners denied a plan to expand the Breckenridge ski resort by Vail Resorts Development. Earlier this month, Vail Resorts submitted a smaller \$400 million plan to upgrade one ski lodge area, create a new base, install a gondola from the town center to the ski slopes, build 430 condominiums, and add 110,000 square feet of commercial space in Breckenridge. The new plan scales back residential development by 230 fewer units. The plan also scales back the controversial expansion of Peak 7 which flanks U.S. Forest Service land. The amount of retail space was cut back because of fears that the gondola would draw tourism away from existing merchants on Main Street.

In nearby **Silverthorne**, Three Peaks, a \$400 million, 600-acre residential development, is ahead of schedule in its offer of 394 high-end homes. Half-acre to 5-acre vacant lots are selling for between \$200,000 and \$600,000, and over 100 of the 164 lots offered this year have been purchased. One of the factors behind the high demand is the \$12 million renovation of an 18-hole golf course.

Qwest Communications began its implementation of a \$2 million project to expand local calling service in rural Colorado. Qwest is installing a high-capacity phone switch in **Leadville** to connect several small mountain towns into a larger local call region.

The 9 ½ year long economic boom has pushed home prices to unthinkable levels in some mountain communities. According to Mason & Morse Real Estate, the price of **Aspen** homes for sale from January to June averaged \$3.5 million, up almost 30% from the \$2.7 million average price a year ago. The price of vacant lots in Aspen increased almost 20% to \$2.4 million.

Western Slope

Please refer to the Regional Economic Review for a detailed overview of the Western Colorado economy.

Colorado Indicators Year-to-Date Growth Rates

Indicator	July 2000	June 2000	1999 Annual Average
Nonfarm Employment Growth	3.6%	3.7%	3.7%
Unemployment Rate (seasonally adjusted)	2.7	2.3	2.9
Housing Permit Growth §	-7.8	-6.6	14.2
Single family	-6.1	-4.5	3.7
Apartments	-11.5	-10.9	53.0
Growth in Value of			
Nonresidential Construction §	-23.3	-29.1	25.1
Retail	-9.0	-29.2	22.4
Offices	7.6	13.5	-3.4
Factories	26.4	24.2	131.6

Actual level, not growth rate.

§ F.W. Dodge data.
Colorado Department of Labor and Employment data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 3.8% through the first half of 2000, following a 2.9% rate in 1999.

Regional Growth Cumulative Year-to-Date Growth Rates

	Alamosa	Boulder	Colorado Springs	Metro Denver	Durango	Fort Collins	Grand Junction	Greeley	Lamar	Montrose	Pueblo	Ski Counties (Eagle, Pitkin, and Summit)	Steamboat Springs	Sterling
Employment Growth (through July 2000)	4.2	3.0	3.2	3.7	0.8	3.3	3.5	2.4	7.1	5.0	-0.9	3.6	5.7	8.2
Unemployment Rate (not seasonally adjusted) (in July 2000)	4.8	2.6	3.3	2.3	3.8	2.9	3.5	3.4	3.0	3.8	4.3	1.7	2.0	3.5
Retail Trade Sales Growth (through June 2000)	9.6	12.4	8.8	15.3	6.7	14.4	9.7	17.5	19.4	13.4	6.5	7.7	9.3	11.7
Housing Permit Growth * (through July 2000)	-31.6	32.0	0.0	-8.8	-13.1	-17.5	-43.7	10.9	-39.4	8.1	-30.3	-49.8	4.4	-61.1
Growth in Value of Non-residential Construction * (through July 2000)	-83.7	1.0	-13.1	-29.6	-6.5	-70.2	-57.2	-27.8		23.3	26.1			

Actual level not growth rate.

Colorado Department of Labor and Employment data.

* F.W. Dodge data.

Colorado Department of Revenue data.

\$135.6 million was contracted through July 2000, while \$45.3 million was contracted through June 1999.

\$350,000 was contracted through July 2000, while nothing was contracted through July 1999.

Nothing was contracted through June 2000, while \$3.3 million was contracted through June 1999.

\$12 million was contracted through July 2000, while \$3.5 million was contracted through July 1999.

Regional Economic Review - Western Colorado

by Josh Harwood

As much of the state and nation continue to move toward a service-based economy, western Colorado (defined as Archuleta, Delta, Dolores, Garfield, Hinsdale, La Plata, Mesa, Moffat, Montezuma, Montrose, Ouray, Rio Blanco, San Juan, and San Miguel counties) has moved away from its traditional base of agricultural and mining and toward a more diversified economy based on the trade and service sectors. The transformation has been fueled by tourism and the rapidly growing population centers of Grand Junction and Durango. This population growth has also helped drive the expansion in construction employment, the region's fastest growing employment sector. The high-tech boom now extending to western Colorado from the front range and an extensive labor shortage has helped to create significant personal income growth over the last three years.

population growth, fueled by growing resort economies, averaged 6.7% and 5.7%, respectively. Mesa County, which accounts for over one-third of the region's population, experienced an average annual increase in population of 2.4% in the 1990s. Moffat and Rio Blanco counties experienced the most modest population gains, while San Juan County, the smallest county in the western region, saw its population decrease by an annual average of 0.5% during the decade.

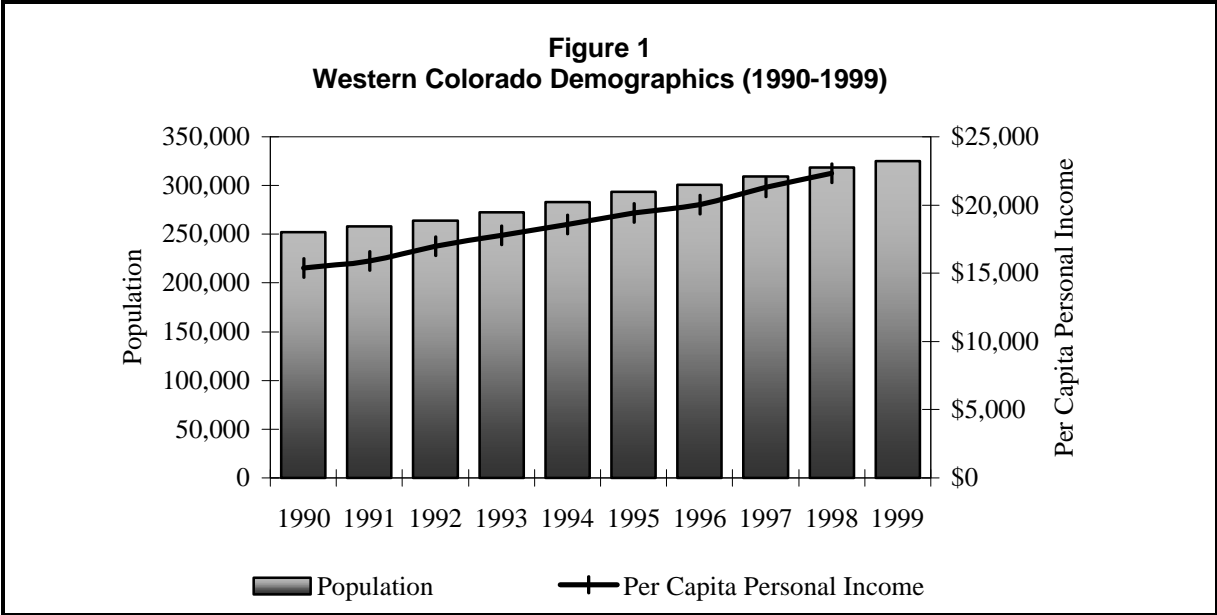
Among the western counties, **per capita personal income** increased by an annual average of 4.7% percent between 1990 and 1998, led by La Plata and San Miguel counties, which both saw per capita personal income grow by more than 5.5% annually. Figure 1 shows population and per capita personal income for western Colorado.

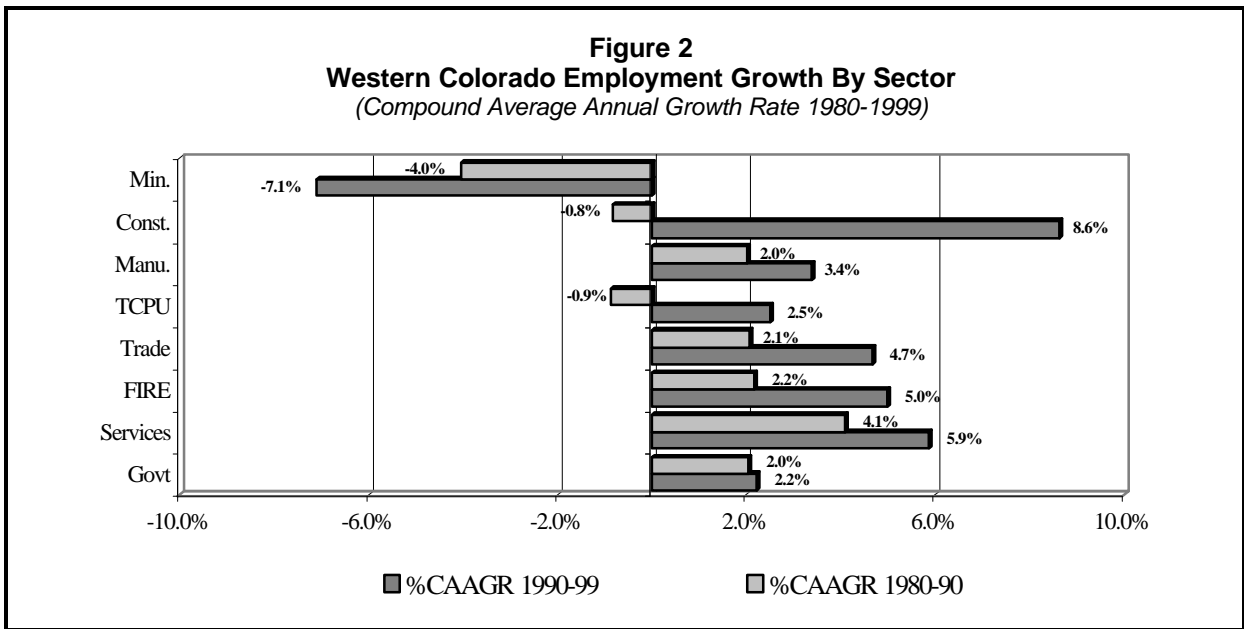
Population and Income

According to the state demographer's office, **population** in western Colorado grew by a compound annual average rate of 2.9% between 1990 and 1999, slightly higher than the statewide average increase of 2.6% over the decade. The highest growth rates were in Archuleta and San Miguel counties as annual

Employment

In the last year, **employment** continued to outpace state figures as there were strong gains overall in the western part of the state. Overall employment grew 4.7% in the region from 1998 to 1999, compared with statewide employment growth of 3.7% over the



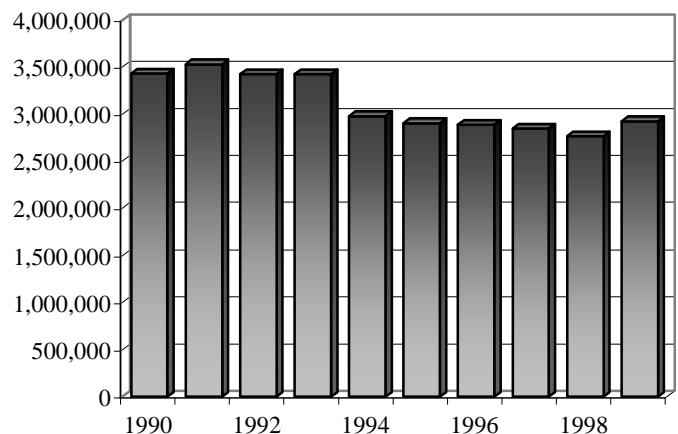


same period. Between 1990 and 1999, average annual employment grew 4.2% in the western counties compared with 3.8% average annual gains statewide. The largest western Colorado industries in 1999, services and retail trade, increased at average annual rates of 5.9% and 4.7%, respectively, since 1990. Over the last decade, construction was the fastest growing sector, averaging 8.6% in the 1990s. Meanwhile, the unemployment rate plummeted in the last two years, falling from 5.3% in 1998 to 4.0% in 1999. This decline continued during the first seven months of 2000 as the unemployment rate inched 0.1% lower to 3.9%. Despite the steady decline, the unemployment rate for nearly all of the region remains above the statewide level.

As illustrated in Figure 2, the employment base in the region shifted away from the mining and transportation, communications, and public utilities sectors and moved toward trade, services, and construction. Though the finance, insurance, and real estate sector grew by a slightly larger average annual percentage rate than the trade sector in the 1990s, the sector made up less than 5% of total employment in the region in 1999. In 1980, mining represented 8.3% of total employment, while in 1999, mining represented only 1.7% of all employment. For transportation, communications, and utilities, its share of employment dropped from 6.8% of total employment in 1980 to 4.6% in 1999. The retail trade and service sectors dominate the region's employment, totaling 54.9% in 1999, compared with 44.4% in 1980.

National park **tourism** in western Colorado rebounded in 1999 from a sluggish 1998. Visitation to Western Colorado's National Park System (which includes Black Canyon of the Gunnison National Park, Colorado National Monument, Curecanti National Recreation Area, Dinosaur National Monument, Mesa Verde National Park, and Hovenweep National Monument) increased 5.8% from 1998 to 1999. However, due to extensive wildfires, visits in 2000 thus far have been down significantly, especially in fire-ravaged southwestern Colorado. As an indication of the impact on tourism, hotel occupancy rates fell by up to 80% in some areas of southwest Colorado, while Montezuma County reported that gas station and restaurant revenues fell by nearly 50% thus far in 2000.

Figure 3
Western Colorado National Park System Visits (1990-1999)



The Department of the Interior declared in June that The Canyon of the Ancients in Montezuma County would be recognized as a national monument. The new designation has created a 164,000-acre area surrounding Hovenweep National Monument where recreational off-road motorized vehicles are not permitted. While further exploratory drilling will be prohibited, current oil, gas, and CO2 drilling will continue.

Retail trade sales increased 6.2% from 1998 to 1999, down from the 7.8% growth seen a year earlier. However, in the first six months of 2000, retail trade sales increased 11.3% over the same period in 1999. Fueled by this expansion, trade employment increased by an average of 4.7% annually in the 1990s. Further growth is expected as national retailers continue to move into Grand Junction and Durango.

The Grand Valley area supports a significant **agriculture** industry, primarily fruit and vegetables. According to the Colorado Department of Agriculture, the 2000 fruit harvests are expected to rebound nicely following a disastrous 1999 that saw unseasonably cold weather cut the state's fruit crop yield by as much as 75% from 1998. Peach and pear orchards enjoyed nearly ideal weather conditions, while a mid-May freeze in Delta County put apple production slightly below typical harvests.

Western Colorado has also played a large role in the state's expanding **wine** industry. The amount of wine production has more than tripled since 1992, led by Palisade in Mesa County, which has eight of the state's 26 wineries. Though still small relative to many wine-producing states, Colorado's recent rate of expansion has been the largest in the nation.

Colorado depends significantly upon natural resource extraction from the counties in the western region. Rio Blanco County extracted 39.8% of the state's oil production through April 2000, up from 29.5% in 1999. Gas production was up 4.4% in 1999, with Garfield, La Plata, Rio Blanco, and Mofat counties providing 39.8% of total state gas production. Montezuma County increased its portion of statewide carbon dioxide (CO2) production to 89.9%, and La Plata County provided over 90% of

state coal bed methane gas production through April 2000. The largest growth over the first four months occurred in Montezuma County, as CO2 production increased 7.6% over the same period in 1999. Meanwhile, Garfield County increased its gas production by 7.2% through April 2000 compared with the first four months of 1999.

“Coal production was down 6.4% statewide through July...”

Coal production was down 6.4% statewide through July, compared with the first seven months of 1999. Despite the downturn, production in Delta County nearly tripled from a year ago as a result of a new mine opening in December 1999. The western region accounted for 54.5% of all coal production in Colorado, with Rio Blanco County representing the largest portion at 27.5% of statewide production through July.

In July, the Colorado Oil and Gas Conservation Commission approved a plan that would expand the number of methane wells in Southwest Colorado by nearly 64%. Thirteen oil and gas companies requested the additional 636 wells, which are expected to be added over the next five to ten years.

Many local communities in western Colorado will be receiving grants from the Colorado Department of Local Affairs and the Energy and Mineral Impact Assistance Fund. Among the beneficiaries are Rifle, Parachute, and several infrastructure projects in southwestern Colorado. The largest of these grants will go to Durango School District 9-R, which will receive \$600,000 for the construction of movable school buildings.

Mesa County

Grand Junction, western Colorado's largest city, continued to boom in 1999, as its population grew by 2.1% in 1999. Over the first seven months of 2000, Mesa County employment grew 3.4% over the same period in 1999. In 1999, the Grand Junction area employment grew 4.0%, even with the annual average growth rate of 4.0% from 1990 to 1998. The retail

trade and service industry sectors combined to account for 57.9% of all employment in 1999, roughly 6 percentage points higher than in 1990.

Grand Junction has begun to reap the benefits of the statewide high-tech boom. Peak Telecom Group, an electrical and fiber-optic system designer, announced it would move its headquarters from Illinois to Grand Junction, hiring 40 new employees over the next two years. StarTek, Inc., an international provider of technical support services, announced that it will expand its presence in the Grand Valley by adding up to 400 new management positions. The new employees, to be housed in a second StarTek facility in Grand Junction, will install and manage intra-office communication systems.

On the negative side, City Market, a grocery operator with 38 stores throughout the Rockies has moved much of its administrative responsibilities to Denver, displacing roughly 50% of the company's 180 employees in Grand Junction.

According to F.W. Dodge, through July 2000, the value of **nonresidential construction** in Mesa County decreased 52.2% over the same period in 1999. Due to the relatively limited building in the area, one project can have a major effect on construction figures. As a result, there have been dramatic fluctuations in nonresidential permit values over the last decade. The value of nonresidential construction fell 37% in 1998, while nearly the complete opposite was seen in 1999. Expansion for Clagett Memorial Hospital and E. Dene Moore nursing home is scheduled to begin in June 2001. The plan calls for the renovation of the two existing buildings and the construction of a new two-story building that will house the emergency and surgery suites, as well as an inpatient rehabilitation center and other medical offices. The total cost of the project is expected to be between \$9 million and \$13 million.

Meanwhile, the number of **residential construction** permits issued in Mesa County through July 2000 dipped by 43.6% compared with the first seven months of 1999. The drop-off is due in part to extremely limited multi-family activity, as single-family permits are down only 14.9%. Though these figures are down from a year ago, they remain higher

than 1998 levels. The **median home price** was \$121,300 during the second quarter of 2000, up 6.6% from second quarter 1999 figures.

“...the number of residential construction permits issued in Mesa County through July 2000 dipped by 43.6%...”

La Plata County and Southwest Colorado

Over the first seven months of 2000, southwest Colorado (Archuleta, Dolores, Hinsdale, La Plata, Montezuma, and San Juan counties) employment grew 3.0% over the same period in 1999. In 1999, southwest Colorado employment increased 6.5%. Between 1990 and 1999, employment grew an annual average of 4.7%, significantly stronger than the statewide annual average of 3.8% during the same period.

Recent unemployment statistics reveal a healthy labor trend. Through the first seven months of 2000, the unemployment rate for the southwest counties averaged 4.7%. For the same period in 1999, the unemployment rate averaged 4.8%. In 1999, unemployment averaged 4.5%, down sharply from 5.8% in 1998. Like nearly all of the western region, unemployment in southwest Colorado remains higher than the statewide average.

“The economic base in southwestern Colorado relies extensively upon retail trade and services.”

The economic base in southwestern Colorado relies extensively upon retail trade and services. These industry sectors combined to employ 58.7% of the work force in 1999. The two sectors made up 55.2% of employment in 1998, further illustrating the growing trend toward these sectors as southwest Colorado adapts to its growing population and tourism industry.

Most of the economic activity in this area occurs in the Durango area. City sales tax revenues jumped almost 17% in July over the same period in 1999. The

figure has been bolstered by the continued migration of large retailers, such as Wal-Mart, into the Durango area.

The fires that ravaged more than 28,000 acres of Mesa Verde National Park caused a dramatic decline in tourism for much of southwestern Colorado. July visitation to the park was down by 45.6% this year, while August marked a 50.7% decline. The park recorded 349,654 visits in the first eight months of the year, down 31.3% from the same period last year. During the fire, officials said they lost close to \$135,000 in expected ticket sales. The cost of repairing fire-damaged buildings and trails could reach as high as \$22 million.

Athletic Motion Inc. has secured \$1.6 million of first round venture capital from high-tech backer Ven-Global Capital Fund. The **Durango** company, which plans to develop a website providing sports psychology advice, product reviews, links to sites selling equipment, message boards, and live chatrooms, expects to have 250 to 500 employees within five years.

Through July 2000, the value of **nonresidential construction** in La Plata County dropped 6.5% compared with the same period in 1999, though it is still over three times the value seen through the first seven months of 1998.

A preliminary study measuring the feasibility and economic impact of a convention center in **Durango** is near completion. The proposal, if adopted, calls for a \$4.2 million convention center that would include 15,000 square feet of exhibit space and approximately 10,000 square feet of meeting and ballroom space. The Carter Commercial Park has been planned as a joint venture between the Durango Industrial Development Foundation and the site's owner. The site is expected to house nearly 170 acres of industrial and office space; however, final plans are awaiting the results of the foundation's feasibility study.

Plans were announced to break ground in **Bayfield** on infrastructure improvements to a 38-acre site for the purpose of creating 38 lots for retail, commercial, or light industrial use.

A new 28-bed, \$3.3 million juvenile detention center opened in Durango in January. The Robert E. DeNier Youth Services Center will house juveniles from southwestern Colorado who would have previously been moved to Grand Junction.

There were 239 **residential construction** units permitted through July 2000 in La Plata County, 13.1% lower than last year. Through June 2000, the average price of a three-bedroom home in Durango was \$170,400.

Garfield, Moffat, and Rio Blanco Counties (Northwest Colorado)

Though northwest Colorado still has significant employment from natural resource production and, like other rural areas, governmental agencies and school districts, it has moved toward trade and service sectors. Whereas the oil and gas industry has relied substantially upon production in this area, particularly in Rio Blanco County, the top employers in Garfield County are school districts and governmental agencies.

“...the trend in northwest Colorado has been toward an economic base relying heavily on retail trade and services.”

Between 1990 and 1999, the region's employment grew at an average annual rate of 3.4%, while 1999 saw a 4.7% growth rate over 1998. A significant amount of this growth was in the construction sector, which had a 10.6% jump in employment from 1998 to 1999. Like much of the state, the trend in northwest Colorado has been toward an economic base relying heavily on retail trade and services. These industry sectors combined to employ 49.9% of the work force in 1999. Mining continues to be a decreasing factor as it accounted for only 4.6% of all employment, compared with 13.2% in 1990.

Beginning in November, American Soda Mines will hire up to 90 new employees to staff and monitor its new facility in **Parachute**. The \$250 million project will eventually ship 1.15 million tons of soda ash and baking soda annually. Also, early in September, the

Bureau of Land Management ruled that American Soda could begin construction on an additional processing plant, 44 miles north of its new facility.

Hearings are continuing in **Glenwood Springs** regarding a proposed mixed-use development. The project, which is being met with some local opposition due to its size, would bring approximately 1.2 million square feet of retail and office space, as well as 1,000 new homes and apartments. Also, expanded residential development is occurring in the area surrounding Glenwood Springs. Over 250 single-family homes have been proposed or planned this year, with the largest of these being Oak Meadows, an 86-unit subdivision that gained preliminary approval in May. The downtown area will see the construction of a new three-story, 22,825-square-foot office building with seven residential units on the third floor. Finally, Glenwood Springs announced plans for the construction of a \$3.3 million, 800-seat arts theater.

Plans for a new 50,000-square-foot recreation center in **Carbondale** have moved to the design phase following a site evaluation. The town is also beginning construction on a new 2,400-square-foot water treatment plant. The \$1.8 million project will be completed in September 2001.

Rifle is also expected to see some growth, as plans for two new residential projects near construction. Arabian Heights North is a 40-acre development consisting of 78 single-family homes and 62 multi-family units. Meanwhile, Promontory at Graham Mesa will put 95 single-family homes and 72 multi-family units on 35 acres.

Montrose, Delta, Ouray, and San Miguel Counties

Over the first seven months of 1999, Montrose County employment grew 4.9 percent over the same period in 1998. Meanwhile, through July 1999, Delta County employment grew 6.8 percent over the same period in 1998. In the 1990s, employment in Delta, Montrose, Ouray, and San Miguel counties showed that the strongest regional industries remained retail trade and services. Between 1990 and

1999, these counties saw a decreased share of total employment in the mining, public utility, and government sectors. During the same period, the services, construction, and agriculture sectors saw an increased share of total employment.

Chaco Sandals, a manufacturer of water-sport footwear, has moved into a new 25,000-square-foot facility in **Paonia**. The company had outgrown its previous building in only two years as it expanded from 16 to 59 employees. Chaco plans to hire 35 new employees to staff a manufacturing crew, in addition to hiring several new customer service representatives.

Advance Canvas Design LLC, with the help of the **Montrose** Economic Development Council, announced it will expand its local presence. The fabric manufacturer will move to a new downtown location and hire 15 new employees over the next two years to help market its products in Europe and Asia.

In negative employment news, Habitat, Inc., a Montrose-based clothing maker, announced that it has reached licensing agreements with three companies that will allow them to lay off more than 50 local employees. Citing high labor costs, the company also said it would shut down its retail store at its Montrose headquarters.

Through July 2000, the value of **nonresidential construction** in **Montrose County** increased 23.3% over the first seven months of 1999. Meanwhile, the value of nonresidential construction in 1999 decreased 17.3% over 1998 figures.

Illustrating the statewide shortage of labor, the new \$9 million Towaoc Detention Center sits unopened as officials are unable to find enough correctional officers to staff the facility at the **Ute Mountain Reservation**. Officials so far have been able to fill only 3 of the 23 positions open at the 40,000-square-foot, medium security center.

Residential construction throughout Montrose County has continued to increase in recent years. The number of residential construction permits issued through July 2000 increased 8.0% over the first seven months of 1999, according to F.W. Dodge. Current residential construction consists almost entirely of single-family homes.

Summary

The western Colorado economy has performed well during the past decade. Most economic indicators for the region are healthy, though tourism has been hurt temporarily by fire. The region continues to diversify its economic base, drawing an increasing number of large retailers and high-tech businesses into its population centers. Mining employment has declined, but will likely stabilize over the next several years. In the future, tourism will remain the driving force in western Colorado's economy, as it provides large opportunities for employment growth throughout the region.

Table 4
Western Colorado Economic Indicators at a Glance

	Western Colorado	Colorado
Population Growth		
1990-99 Compound Average Annual Growth Rate (CAAGR)	2.9	2.6
1998-99 Growth Rate	2.1	2.5
Nonfarm Employment Growth		
1990-99 CAAGR	4.2	3.8
1998-99 Growth Rate	4.7	3.7
Unemployment Rate (Regional data not seasonally adjusted)		
1990-99 Average	5.7	4.3
2000 Year-to-date (through July)	3.9	2.7
Retail Trade Sales Growth		
1990-99 CAAGR	7.5	7.3
1998-99 Growth Rate	6.2	8.5
Year-to-date Nonresidential Construction*	(25.9)	(29.1)
Year-to-date Residential Construction*	(32.7)	(6.6)

* F.W. Dodge 2000 year-to-date data through July. Only includes data from Mesa, La Plata, and Montrose counties.