



Colorado Economic Chronicle

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National Economy

by Tom Dunn

The long-awaited slowdown in the economy finally arrived, as inflation-adjusted **gross domestic product** (GDP) increased at a 2.7% annual pace during the third quarter, the smallest increase since the second quarter of 1999. While consumer spending rebounded to a 4.5% pace from a weak second quarter, business investment fell from a 14.6% pace in the second quarter to only a 6.9% annualized pace in the third quarter. Government spending declined at a 3.6% annual rate.

"The long-awaited slowdown in the economy finally arrived, as inflation-adjusted gross domestic product (GDP) increased at a 2.7% annual pace during the third quarter..."

The Conference Board reported that **consumer confidence** fell sharply in October, reaching its lowest level in a year. The decline was influenced by a cooling economy, high oil prices, and volatility in the stock markets. Meanwhile, total **employment** increased by 252,000 in September, after declining in the prior two months. However, roughly one-third of the gain was attributable to the return of striking workers at Verizon Communications. The services sector accounted for almost 80% of the overall employment increase. Manufacturing lost 66,000 jobs in September. Meanwhile, the unemployment rate dropped to 3.9%, matching the 30-year low set in April.

Personal income increased 1.1% in September, following a 0.4% increase in August. Much of the strong growth was accounted for by federal subsidy payments for farmers. Excluding the subsidy payments, income increased only 0.4%. Meanwhile, the personal saving rate improved from -0.4% in August to -0.1% in September.

There was more positive news in the **manufacturing** sector in August and September. First, the National Association of Purchasing Manager's index rebounded slightly to 49.9 in September. An index level below 50 indicates contraction in the manufacturing sector. August marked the first time that the index fell below the critical 50 level since January 1999. The index has been falling since it reached a peak last fall. Meanwhile, factory orders rebounded to a 2% gain in August, after suffering a record decline in July. Durable goods orders to factories rose by 1.8% in September and 3.5% in August. Finally, the industrial production index rose 0.2 percentage points in September.

The slowing economy is having an impact on the residential **construction** and real estate industries. Housing starts increased in September, the first gain in five months. Builders started construction on a seasonally-adjusted annual total of 1.53 million homes in August, down from 1.68 million homes in 1999. New-home sales increased a hefty 9.2% in

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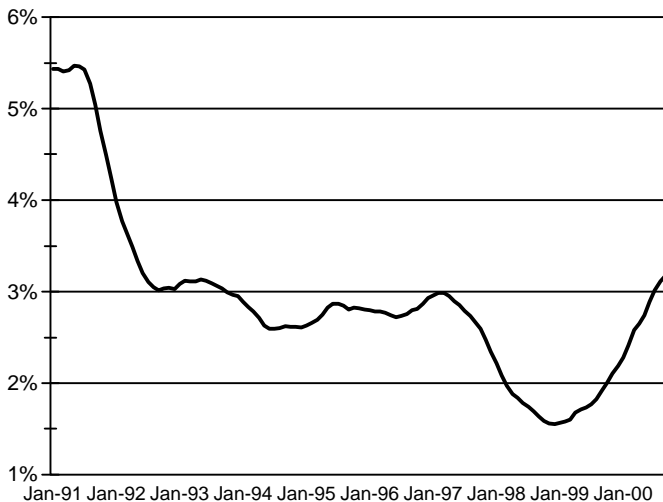
September, after falling sharply in August. However, sales of existing homes fell 2.7% in September, after a 9.5% gain in August. Fixed mortgage rates are near 7.8%, after reaching a high of 8.6% earlier in the year.

Once again, sharp increases in energy prices led to big increases in **inflation** during September. The consumer price index increased 0.5%. Energy prices at the consumer level increased 3.8% in September, following a 2.9% drop in August. Consumer prices are up an average of 3.2% over the past twelve months, double the rate seen in late 1998 and early 1999. Meanwhile, the annualized core rate of inflation is now 2.6%, compared with 2.0% at the beginning of the year. Wholesale prices

rose 0.9%, led by a 9.3% increase in gasoline prices and a 14.3% gain for heating oil. Prices for cars had the steepest increase in five years, rising 1.4%, and food prices experienced the first increase since April. The core rate of inflation in the wholesale sector, which excludes the volatile food and energy categories, rose 0.3% in September. The Federal Reserve Board did not change interest rates at its October meeting, encouraged by indicators that earlier rounds of interest rate increases and higher energy prices are doing the job of slowing the economy.

The national economy is slowing, though it remains very healthy. However, there are reasons for concern that the slowdown could deepen. Inflation remains the primary concern for the national economy. The energy markets have been highly volatile. If oil prices move higher and stay at that level for a long period of time, businesses will feel more pressure to pass on their increased costs. Additionally, workers could believe that high energy prices are permanent and increase their wage demands, thus putting more pressure on prices. The low value of the euro currency also causes concern for the U.S. economy. The European markets are less able to make purchases of U.S. goods and services, given the low value of the euro. As the national economy slows, it will need some impetus from export markets. Further declines in the euro, combined with high energy prices that affect Europe more adversely than our economy, will not help to provide the necessary stimulus for export expansion.

**Chart 1. National Inflation Rate
12 Month Moving Average**



Colorado Economy

by Mike Mauer

The Colorado economy is slowing, but remains healthy. Nonfarm employment growth is strong and unemployment remains low. However, a labor shortage looms as a threat to future growth. With the exception of growing energy costs, inflation remains benign. Finally, residential and nonresidential construction are below last year's levels, but remain at a fairly high level.

Employment

Colorado's nonfarm employment grew 3.4% through August, compared with the first eight months of 1999. The seasonally unadjusted unemployment rate remained extremely low at 2.8%, up slightly from 2.7% in July. The unemployment rate has averaged 2.6% this year, compared with 2.9% in 1999.

Colorado's Economy at a Glance

Key Indicators	Direction	Assessment
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

Employment gains were widespread among several sectors of the economy. In the retail trade sector, a new Great Indoors store in the Denver area will employ 300 people and a new Lone Tree Krispy Kreme store will employ 125 people when it opens in early 2001. In the services sector, data transfer equipment company Emulex will employ 20 engineers at its new design center in Longmont. In the communications sector, Expanets will hire 40 people immediately and create as many as 190 new jobs during the next three years at its new headquarters building in the Meridian Office Park. In the insurance sector, Skandia Life Assurance will hire 315 workers to staff a new customer service center in Westminster. Finally, in the advanced technology manufacturing sector, Agilent Technologies will hire 70 people to staff a new production line in Fort Collins.

Employment losses occurred in the Internet and agricultural sectors. Two Denver Internet companies laid off workers in October. STS HotelNet LLC laid off 35 people and Westwind Media.com laid off 25 people in an effort to cut costs. In Greeley, 100 workers were laid off when a National Hog Farms site closed.

Residential Construction

According to F.W. Dodge, the number of housing permits issued in Colorado fell 6.8 percent through the first nine months of the year, compared with the same period in 1999. Single-family construction decreased 4.2 percent while apartment construction declined 12.7 percent. Meanwhile, according to Perry and Butler Realty, the average price of an existing single-family home closed during October in the

Denver area was \$250,210. The average price was 4.5% above September, and 16.1% higher than October 1999. Prices increased over the prior year despite a 9.3% increase in the number of homes available on the market compared with last year.

The Denver Housing Authority (DHA) will purchase Denver's East Village residential development for \$12.3 million. The city will redevelop the existing residences and construct additional units. The existing low income housing units will be maintained, while new units for market rate renters will be added. Up to \$1.5 million will be spent to bring the existing units up to code. The Montbello neighborhood in Denver will see a new \$28 million retail, office, and housing development. Sable Ridge Plaza will put 60 apartments for seniors, 40 additional multi-family units, 30,000 square feet of office space, and 20,000 square feet of retail on 13.5 acres just north of Interstate-70 at Chambers Road and Andrews Drive.

"...according to Perry and Butler Realty, the average price of an existing single-family home closed during October in the Denver area was \$250,210."

The old Silver State Laundry building in lower-downtown-Denver (LODO) just north of Coors Field will become a 36-loft development. The 40,000-square-foot, 2-story building will be renovated and a third-level penthouse will be added. The lofts will range in size from 750 to 1,625 square feet and will cost between \$139,000 and \$485,000. Units in the \$11 million project are meant to be more affordable than other lofts in the area.

In the Central Platte Valley, the 126,000-square-foot Benedict Warehouse and Transfer Building will be converted into the WaterTower Lofts for \$45 million. Loft prices will range from \$136,500 to over \$600,000. A fifth floor will be added to the building. The first phase of the development will include 96 units, 14 as top floor penthouses. The second phase will add more than 200 parking spaces and an additional 54 units.

Also in the Central Platte Valley, a \$105 million apartment project has been proposed. The project

will construct 273 apartments in the first phase and 370 in the second phase. The first phase is expected to begin construction in March 2001 and be completed early in 2002. Apartments will also be constructed in **Aurora** near the former Fitzsimons Army Medical Center. The \$45 million complex will include 345 luxury units on 28 acres. The typical unit will rent for about \$1,200 per month and the project will include 40,000 square feet of retail space.

Broomfield approved construction of 500 high-end residential units near StorageTek Drive. In **Colorado Springs**, 271 units that will mix affordable housing with market price units will be built on 28 acres near Rockrimmon Boulevard and Vindicator Drive. The project's first phase is expected to be completed by the end of 2001 and will include 154 rental home and apartments.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction declined 18.4% through September, compared with the same time period in 1999. The largest declines in activity occurred in the manufacturing (down 74.5%), hospital and health treatment (down 57.0%), and education and science sectors (down 35.1%). Construction in the commercial sector also declined, but only by 5.8%. Meanwhile, construction activity increased 13.3% in the public buildings sector.

“...the value of nonresidential construction declined 18.4% through September...”

The Prairie Center in **Brighton** will bring over 8 million square feet of construction to a 1,400-acre site over the next 10 to 15 years. The site will include office, light-industrial, manufacturing, retail, and residential buildings, as well as almost 300 acres of open space. The early stages of the project will emphasize facilities that produce jobs as nearly 70 percent of Brighton's residents currently commute to jobs outside of the city.

The construction of an interchange at Alameda Avenue and Interstate 225 is helping push the construction of two business parks on Sixth Avenue near the

Aurora City Center. The first, Corporate Center 225, will be anchored by a \$23.5 million office complex. The second, Business Center 225, will have an \$8 million flex-space building. Both sites will have additional commercial building spaces available.

Crown Point, a 285-acre mixed-use development in **Parker**, is expected to be built over the next three to five years with a value of \$300 to \$350 million. The project, which will include Class A office space, lodging and retail space, and 660 multi-family residences, will have over 1.64 million square feet of space when completed.

Much activity is occurring in **Broomfield**. A 426,000-square-foot office park will be built at the site of the old Lange ski boot factory at U.S. 36 and 96th street in Broomfield. The first phase of the \$50 million, 23-acre development will be completed by the end of 2001. Despite the large amount of office construction taking place nearby in Interlocken, the area still needs office space and currently has an office vacancy rate of just 0.7 percent.

At the same intersection in Broomfield, a \$100 million retail project will have four separately themed districts. The Lifestyle District will include stores such as Best Buy and The Great Indoors. The latter store will build its first two-story building in the country there. The 140,000-square-foot store will employ approximately 300 workers and will be the second Great Indoors store in the Denver area. The Fashion District will include stores such as Nordstrom, Rack, and Linens 'N Things. The Garden District will have restaurants and the Hotel District will have three hotels.

Nearby, FlatIron Marketplace will be completed by June 2001 just east of FlatIron Crossing mall. The 440,000-square-foot center sits on 70 acres and between 30 to 40 stores will open by March 2001. Southwest of FlatIron Crossing, the Main Street development is underway. It will take approximately three years to finish the 160-acre, \$400 million development which will include pad sites and retail centers. Summit Technology at Mainstreet will add 500 high-end condominiums, medical space, two Marriot facilities, and a health club. The Marriott Townplace will be open this month.

ConAgra broke ground in October on its new world

“ConAgra broke ground in October on its new world headquarters in Greeley.”

headquarters in **Greeley**. The 104,000-square-foot building will hold 550 employees and cost \$15 million to construct. A \$10 million technology park in **Boulder**'s Gunbarrel, iPark, will open in spring 2002. The 10-acre park will have 115,000 square feet of space and be built with all the amenities that information companies need such as broadband access and hardware.

Expanets, a communications company, will move up to 70 employees to its new headquarters in the Meridian Office Park in northern **Douglas County**. The company will create as many as 190 additional jobs at the 40,000-square-foot facility in the next three years. The company plans to immediately hire up to 40 employees from the local work force. In addition, the company could double the size of its regional office, also located in Meridian, in the next 18 months.

Clear Creek Square in **Golden** will mix office, retail, and residential space into a pedestrian-friendly project near Coors Brewery. The \$25 million project on 5 acres will include 60,000 square feet of office space, 20,000 square feet of retail space, 72 residences, and 300 parking spaces. The office space will be occupied primarily by 250 employees of New Global Telecom, the developer of the project.

Advanced Technology

A Milken Institute study ranked Colorado 4th for its ability to capitalize on growth in the new advanced technology economy. Massachusetts, California, and Connecticut ranked higher. Colorado fared well in the study because of its well-educated workforce and the relative availability of capital for new advanced technology businesses.

A recent study by job resource company techies.com found that Denver is the seventh most affordable market for technical professionals out of 26 markets nationwide. Thus, with a nationwide labor shortage that has been felt particularly hard in the advanced technology industry, Colorado retains an advantage

over other large metropolitan areas when recruiting technical professionals. Metropolitan areas with a lower cost of living than Denver were Austin, Dallas, Houston, Minneapolis-St. Paul, Atlanta, and Seattle. Denver-area technical professionals earn an average annual salary of \$60,900.

“...with a nationwide labor shortage ...Colorado retains an advantage over other large metropolitan areas when recruiting technical professionals.”

Two Denver based dot-com companies cut employees in October. STS HotelNet LLC cut 35 of its 108 workers after making deals with other companies to extend Internet access to its hotel partners and Westwind Media.com cut 25 of its 87 employees to save money as it prepares to seek new venture capital funds. Westwind is a web broadcaster of audio and video content.

Business

A study by Forbes magazine ranked Colorado the 9th best state in creating successful small businesses. The magazine's study of the 200 Best Small Business Companies in America included Denver's Koala Corp, Prima Energy, Key Production, and Navigant International, as well as Avert in Fort Collins.

For the seventh consecutive year, the Corporation for Enterprise Development awarded Colorado straight A's in its Development Report Card for the States. Colorado had the nation's best overall performance in the ratings. Colorado was found to be strongest in employment, earnings and job quality, equity, entrepreneurial energy, structural diversity, human resources, infrastructure resources, amenity resources and natural capital, and innovation assets.

Venture capital in Colorado increased to \$816.8 million in the second quarter of 2000, a 165 percent increase over the second quarter of 1999. Technology companies accounted for 97 percent of investments made in the first half of 2000. The upward trend for venture capital in Colorado followed a similar trend nationwide.

Manufacturing

While growth in Colorado's manufacturing sector has slowed considerably since early in the summer, it was still expanding in September, according to the Front Range Purchasing Managers' Index. The national manufacturing sector contracted for the past three months.

Transportation

Denver International Airport was awarded a \$21.5 million federal grant to build a sixth runway. The runway was part of the original plans for the airport, but money ran out after half of the excavation work for the runway was finished. The runway will be 16,000 feet long and 200 feet wide to accommodate jumbo jets and international flights. The total cost of the runway is approximately \$150 million, of which \$34 million worth of work has been completed. The airport is also spending \$11 million to improve its collection system for used glycol. Glycol is a deicing compound that is used on planes in inclement weather.

Mining

The Kelsey Lake Diamond Mine northwest of Fort Collins reopened under new ownership. McKenzie Bay purchased the mine in April and will spend over \$4 million to purchase new equipment. The company believes the mine contains between 60,000 and 250,000 carats of diamonds.

Energy

"The Colorado Oil and Gas Conservation Commission expects a 40% increase in permits to drill for natural gas and oil in Colorado this year..."

The Colorado Oil and Gas Conservation Commission expects a 40% increase in permits to drill for natural gas and oil in Colorado this year amid higher energy prices. The number of permits issued is an-

anticipated to be the most since the early 1990s. Natural gas prices have nearly doubled since the beginning of the year.

Gaming

After collecting a record-breaking \$60 million in profits during July, the gaming industry in Colorado took a breather, with profits dropping back to \$55.3 million. While profits declined from July to August, August's take was still 10.5 percent higher than August 1999. In August, Black Hawk casinos collected \$37.2 million, Cripple Creek brought in \$12.7 million, and Central City added \$5.4 million.

Income

According to a recent study by the Colorado Fiscal Policy Institute, a two-parent family with two children must have earned \$40,409 in 1998 to meet basic needs in Denver, much higher than the government's poverty level of \$17,029 for a four-person family. The study estimated the income required for a family to meet its basic needs in several areas around the state. The study found that families in rural counties in the eastern plains (Yuma \$38,097) and the western slope (Montezuma, also \$38,097) required the least to meet their basic needs, while families in the mountain resort counties (Eagle \$46,984 and Pitkin \$52,632) required the most.

Agriculture

Colorado **wheat** production declined 33% in 2000. The average yield per acre for winter wheat fell from a record high of 43 bushels per acre in 1999 to only 29 bushels per acre this year. **Corn** for grain production is expected to match last year's output, after hot, dry weather in the state's nonirrigated acreage caused the forecast to be lowered from higher expectations earlier in the year. Colorado's **barley** production is expected to be 34 percent above last year's levels.

Prices for **livestock** in Colorado averaged higher in September than they did one year earlier, while most **crop** prices averaged lower. Wheat, barley, and hay

prices were the exceptions, with higher prices reported this year.

Thirteen percent more **cattle and calves** were on the feed-for-slaughter market in Colorado during September than a year earlier. In addition, 6% more cattle were marketed during August 2000 than in August 1999.

Metro-Denver Region

The value of nonresidential construction in the five-county metro-Denver area declined 18.8% through September, compared with the first nine months of 1999. Although the FDIC placed Denver on its list of the top ten markets at risk for overbuilding in the commercial sector, the value of commercial construction in the area declined 15.1% through September 2000 compared with the same time period in 1999. The FDIC's warning was based on the large amount of commercial space that is occupied by advanced technology companies in Denver that may be sensitive to economic downturns. Meanwhile, construction activity in the manufacturing, education and science, and hospital and health treatment sectors also showed substantial declines, while construction activity in the public buildings sector increased.

Skandia Life Assurance will open a customer service center in **Westminster** employing 315 workers. The company will occupy a 120,000-square-foot facility in the Circle Point Corporate Center. Emulex, a data transfer equipment company, will open a 10,000-square-foot design center in **Longmont** that will employ 20 engineers. In **Denver**, the House of Blues will open a club in Larimer Square that will have a 1,000-seat concert hall and a 200- to 300-seat restaurant. The club's owner, HOB Concerts, is the second largest concert promoter in the nation and operates the Paramount Theater in Denver and Fiddler's Green Amphitheater in Arapahoe County. **Lone Tree** will be the site of the Denver area's first Krispy Kreme doughnut shop. The company will employ 125 people when the store opens early next year.

A new survey by the Colorado Business Committee for the Arts and the accounting firm Deloitte & Touche indicates that the economic impact of Den-

ver's scientific and cultural organizations on the local economy was \$844 million in 1999, up 31% from 1997. The study indicated that 9.3 million people attended the performances and programs of these organizations in 1999. Tourists who came from outside of Denver to see these performances and programs spent more than \$130 million while in Denver. In addition, cultural organizations employed nearly 7,000 people with an annual payroll of more than \$63 million in 1999.

"...the economic impact of Denver's scientific and cultural organizations on the local economy was \$844 million in 1999..."

Northern Region

Agilent Technologies announced plans to invest \$100 million in a new operation to manufacture integrated circuits in a vacant building on its **Fort Collins** campus. The company plans to hire 70 workers to staff the production line. Agilent, which split from parent company Hewlett-Packard only one year ago, currently employs 1,900 workers in Fort Collins, 300 more than at the time of the split.

A new subdivision in **Greeley** will include 31 homes priced at less than \$100,000 each and a new 18,000-square-foot grocery store. However, 100 employees will be laid off with the closure of a National Hog Farms site near Greeley. The facility once employed 170 people and had 140,000 hogs.

El Paso County

Please refer to the Regional Economic Review for a detailed overview of the El Paso County economy.

Southern Region

The Colorado State Fair in **Pueblo** showed a profit for the 4th consecutive year in 2000, making over \$1 million. The fair experienced a 5 percent reduction in attendance, but higher ticket prices more than made up for the smaller attendance. Also in Pueblo, the \$24 million Historic Arkansas River Walk

opened in October. The walk includes a 1.9-acre lake; a half-mile waterway for use by paddle boats, water taxis, and dinner cruises; over a mile of bike paths and walkways; a waterfall; and an amphitheater. The walkway also allows access to a number of Pueblo's attractions without using a motor vehicle.

"The Colorado State Fair in Pueblo showed a profit for the 4th consecutive year in 2000..."

Mountain and Western Regions

Mesa State College began construction on a three-story, \$5.25 million humanities and social sciences building on the corner of Bunting Avenue and Houston Avenue in **Grand Junction**. The building, which will include faculty offices, eight labs, and three classrooms, is expected to be complete by January 2002.

The \$300 million American Soda ash plant began operations in **Parachute**. The plant will produce soda ash and bicarbonate, which are used in products such as baby food, beer, toothpaste, salt, light bulbs, glass, and detergent. The plant employs 123 people, including 93 from the local work force. American Soda expects to hire an additional 9 people for the shipping department.

A plethora of commercial and residential developments have been announced for **Glenwood Springs**. Residential developments are concentrated in the Four Mile area southeast of Glenwood Springs. They include Springridge Phase II, an 83-lot single-family home development on 543 acres along Dry Park Road; Four Mile Ranch, a 52-unit development; Oak Meadows Filing 4, an 86-unit development; and Sunlight View II, a 30-unit development. Meanwhile, the Glenwood Meadows development, consisting of 700 residential units, 625,000 square feet of retail space and another 656,000 square feet of office space, is planned in West Glenwood Springs. In addition, plans were announced to build 517,000 square feet of retail space at Cattle Creek between **Carbondale** and Glenwood Springs. Also in Carbondale, plans were announced to build the Crystal River Marketplace, a 337,000-square-foot retail de-

velopment.

Construction is progressing on the Willits Town Center in west **Basalt**. The plans include 459,000 square feet of residential and retail space, with 380 single- and multi-family homes, 90 of which are complete.

According to a new study by Demographics Daily, **Durango** is the 10th best small city to live in nationwide. The study ranked the quality of life in 632 cities with populations between 10,000 and 50,000. The quality of life depended upon several factors which included employment and population growth, the supply of good jobs, crime rates, commuting lengths, school support, health care, the small town character, the town's connection to the rest of the world, and the cost of living.

"According to a new study by Demographics Daily, Durango is the 10th best small city to live in nationwide."

A residential development with 338 residences, 200 of which will be multi-family homes and 32 of which will be affordable housing units, will be built near **Crested Butte**. An airstrip near the new development was deemed to be too close to the development for safety purposes, and will close in November.

Winter Park Resort will spend \$2.5 million to replace two ski lifts and use \$4 million of bond proceeds to buy land expected to house administrative offices.

Construction is nearly completely on a \$334 million pedestrian village at **Copper Mountain** resort, which includes a 40,000-square-foot conference center, a 7,000-square-foot restaurant, a 42-foot climbing spire, and a new mountain-side lodge. In addition, the resort's owner has built and sold 330 condominium units during the last three years, and expects to continue building condominiums at that rate in the coming years.

Two new Ritz Carlton facilities will open in Colorado mountain resort towns. Construction is expected to be complete in February on **Aspen**'s new

73-unit Ritz Carlton Club. Time shares for the 73 suites, which sold for prices between \$140,000 and \$500,000, were purchased by 876 separate owners. Meanwhile, a new 238-room Ritz Carlton Hotel is expected to open in Bachelor Gulch, near **Beaver Creek**, in late 2002. The \$162 million facility will

include 23 luxury penthouse residences, which have already been sold. The hotel was a joint venture with Vail Resorts, which will own 49% of the hotel. In addition, plans were announced to build a 54-unit time share condominium complex next to the hotel.

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 August 2000)	4.0	3.1	3.0	3.7	0.2	2.6	3.1	2.3	6.6	4.5	-1.0	3.4	4.9	7.6
Unemployment Rate (not seasonally adjusted) (in August 2000)	5.1	2.4	3.2	2.3	3.8	2.9	3.6	3.3	3.0	3.8	4.3	1.6	1.8	3.1
Retail Trade Sales Growth (through July 2000)	12.2	11.7	8.7	14.5	6.3	13.1	8.8	15.8	15.9	10.3	6.3	7.5	8.0	12.5
Housing Permit Growth* (through September 2000)	-26.1	20.6	7.3	-9.8	-8.4	-21.2	-33.3	12.2	-40.7	9.3	-22.4	-38.2	21.4	-54.5
Growth in Value of Non-residential Construction* (through September 2000)	11.8	-0.5	-15.2	-18.8	-12.6	-60.2	-58.5	-2.7		26.9	6.4		42.7	-95.5

Actual level not growth rate.

Colorado Department of Labor and Employment data.

* F.W. Dodge data.

Colorado Department of Revenue data.

\$135.3 million was contracted through September 2000, while \$56.8 million was contracted through September 1999.

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

Colorado Indicators Year-to-Date Growth Rates

Indicator	August 2000*	July 2000*	1999 Annual Average
Nonfarm Employment Growth	3.4%	3.6%	3.7%
Unemployment Rate (seasonally adjusted)	2.8	2.7	2.9
Housing Permit Growth §	-6.8	-7.8	14.2
Single family	-4.2	-6.1	3.7
Apartments	-12.7	-11.5	53.0
Growth in Value of			
Nonresidential Construction §	-18.4	-23.3	25.1
Retail	-2.4	-9.0	22.4
Offices	0.3	7.6	-3.4
Factories	9.0	26.4	131.6

Actual level, not growth rate.

§ F.W. Dodge data.

Colorado Department of Labor and Employment data.

* Housing and nonresidential construction data is for August and September.

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 Economic Review - Colorado Springs El Paso County (November 2000)

by Natalie Mullis

Originally dependent upon tourism and defense, the Colorado Springs economy has recovered from the slump of the late 1980s with strong growth throughout the 1990s, which continues, though at a slower rate, into the year 2000. Colorado Springs now enjoys a diverse economy, with manufacturing, communications, software-related services, construction, government, and tourism collectively driving economic growth. Much of the growth is related to advanced technology. Personal income has made robust gains, and the county's population gain is the largest in the state, fueling strong growth in the construction industry. Meanwhile, the largest threats to the Colorado Springs economy are a significant labor shortage and a rising cost of living.

Population and Income

El Paso County, the third most populous county in the state, experienced healthy growth during the 1990s (See Figure 1). According to the state demographer, the population of El Paso County grew at an average annual rate of 2.6% between 1990 and 1999, equal to the statewide average growth rate. The county was a major contributor to overall growth in Colorado during that time period, adding 104,973 new residents, more than any other county and 12.2% of all new residents in the state. In addition,

the U.S. Census Bureau reported that the Colorado Springs metropolitan area was the 17th fastest growing metropolitan area between 1990 and 1999 out of 276 metropolitan areas nationwide. The Colorado Springs metropolitan area, defined as El Paso County, grew from the 91st largest metropolitan area in the nation in 1990 to the 80th largest in 1999.

Meanwhile, in a recent study by Forbes Magazine, Colorado Springs ranked 10th out of the 200 best places to live in the nation.

With 70% of the county's population, Colorado Springs is by far the largest city in the county. Other cities in the county include Monument, Palmer Lake, Security, Widefield, Fountain, Manitou Springs, Cascade, and Green Mountain Falls.

Per capita personal income grew 6.4% in El Paso County in 1998, and at an average annual rate of 5.0% between 1990 and 1998, slightly slower than the 5.4% average annual growth rate experienced statewide during that time period. The largest gains occurred in the latter half of the 1990s.

However, the Children's Campaign reported that 14.1% of the children under 18 in El Paso County lived in poverty in 1999. According to a recent study by the Colorado Fiscal Policy Institute, a two-parent fam-

Figure 1
El Paso County Demographics 1990-1999

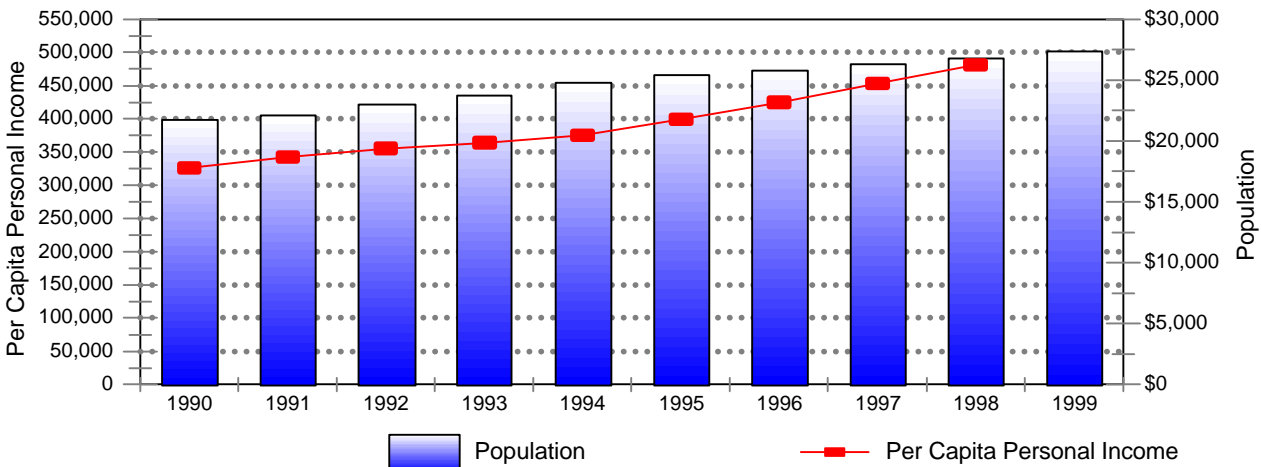
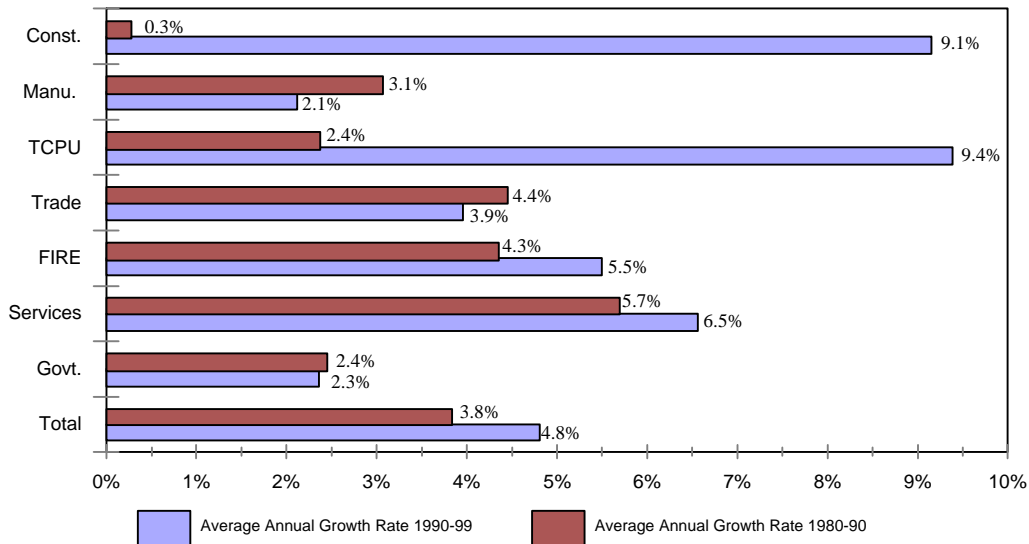


Figure 2
Average Annual Growth Rate 1980-89 and 1990-99



ily with two children must have earned \$39,830 in 1998 to meet its basic needs in El Paso County, much higher than the government’s poverty level of \$17,029 for a four-person family. The study estimated the income required for a family of four to meet its basic needs in several areas around the state. Families required less in El Paso County than in Boulder, Denver, Larimer, Eagle, and Pitkin counties and more than in Pueblo, Yuma, and Montezuma counties.

Employment

Overall employment in El Paso County grew at an average annual rate of 4.7% during the 1990s, after averaging 3.8% during the 1980s (See Figure 2). Employment growth outperformed the rest of the state during both the 1980s and 1990s with employment growth statewide averaging 3.8% during the 1990s and only 2.0% during the 1980s. El Paso County employment continued to grow through 2000, although at a slightly slower rate of 3.0% through August, compared with the same time period in 1999.

Falling steadily throughout the 1990s, the unemployment rate in Colorado Springs was 3.2% in August 2000. Consistently above the statewide average, the unemployment rate in Colorado Springs has been below the national average since 1991 (see Figure 3). Many sectors of the local economy have experienced substantial labor shortages in recent years. The hardest hit sectors include advanced technology, services, retail, and construction. Many employers have com-

pensated by upgrading technology, offering more flexible work schedules, additional training opportunities and benefits, and by recruiting labor not only from outside of Colorado but from other countries.

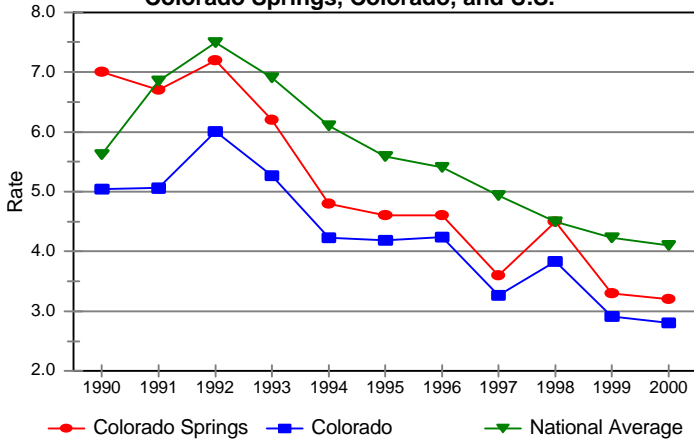
Mirroring the statewide trend, *construction* employ-

“Consistently above the statewide average, the unemployment rate in Colorado Springs has been below the national average since 1991.”

ment grew 9.1% during the 1990s, after flat growth during the 1980s. The sector grew from 4.1% of the work force in 1990 to 6.0% in 1999. The growth spurt continued through August 2000; construction employment grew 10.3% through August 2000, compared with the first eight months of 1999. In addition to widespread construction in the private sector due to the booming economy, much of this growth was fueled by several government projects. Many of the private and public construction projects will be discussed later in this report.

Manufacturing is an integral part of the Colorado Springs economy, accounting for 14.5% of local employment in 1999, compared with 9.6% of employment statewide. In addition, while employment in this sector experienced flat growth *statewide* during the 1990s, it grew at a relatively healthy rate of 2.1% *locally* during the 1990s. Manufacturing employment was falling in the early part of the decade, but experienced a boom in 1993 and 1994 and has been growing steadily since then. Through August 2000, employment in this sector grew at a robust rate of

Figure 3
Unemployment Rate, 1990-August 2000
Colorado Springs, Colorado, and U.S.



4.1%, compared with the first eight months of 1999.

While the traditional manufacturing base has not

“Intel and Atmel will collectively add an additional 2,000 jobs in the near term and up to an additional 1,200 jobs before 2002.”

grown substantially, growth in the Colorado Springs manufacturing sector is occurring in advanced technology, particularly in the semiconductor industry. Semiconductor manufacturing enjoyed healthy growth in Colorado Springs for much of the 1990s. In 2000, this healthy growth became a boom with two separate announcements from Intel Corp. and Atmel Corp. that they would each build a new manufacturing plant in Colorado Springs. Prior to the announcements from Intel and Atmel, the Colorado Springs semiconductor industry employed approximately 3,400 people. Intel and Atmel will collectively add an additional 2,000 jobs in the near term and up to an additional 1,200 jobs before 2002.

Intel Corp. announced plans to open a flash memory chip plant in the never-used Rockwell International Corp. building. The company has hired more than 800 employees thus far, and expects to have 1,200 employees by early 2001 when the plant is expected to open. Most jobs are high wage, with the starting salary for a technician at \$40,000. Depending upon economic conditions, the plant could employ up to 2,200 people by 2002. Based upon the first 1,000

people hired by Intel, the impact on the local economy is estimated to be nearly \$140 million each year. This includes the creation of approximately 1,500 supporting jobs, primarily in the retail and services sectors. In addition, Intel is currently employing 3,000 construction workers to complete and redesign the 120,000-square-foot, two-building manufacturing facility and construct a separate 300,000-square-foot office building, a garage with 1,150 parking spots, a central utility building, and a separate building to handle chemical waste.

In September, Atmel Corp. announced that they would build a new plant on its existing 55-acre site in southern Colorado Springs and hire up to 1,000 employees upon completion, offering an average salary between \$40,000 and \$45,000. The new facility will be between 580,000 and 720,000 square feet in size. The semiconductor manufacturer, which currently employs 1,900 people in Colorado Springs, is the area’s twelfth-largest employer and fourth-largest private employer.

Colorado Springs also has substantial activity in advanced technology manufacturing outside of the semiconductor industry. While it was only a year ago that circuit board manufacturer Agilent Technologies split from its parent company Hewlett-Packard, it is now the eleventh-largest employer and the third-largest private employer in Colorado Springs. Agilent has hired 250 employees locally since the spinoff in November 1999, thus increasing its work force by more than 15% to 1,900 employees. A company spokesperson indicated that Agilent expects to expand at a similar rate in the coming year to accommodate growing demand. However, circuit board manufacturer Dynamic Details Inc. closed its Colorado Springs plant in March, and either relocated or laid off 275 workers.

Compaq Computer Corp. hired 150 workers earlier this year to help expand its computer storage product operations in Colorado Springs, and plans to hire between an additional 40 and 50 more workers by the end of the year. The company recently opened a \$7 million, 22,000-square-foot laboratory to help Compaq’s customers and engineers test software designed to link storage devices from different companies. The company began construction on a second labora-

tory, a \$5 million, 15,000-square-foot building where workers will help develop industry standards for networked storage devices. Compaq currently employs 500 people in its business storage operations and a total of 2,300 people in Colorado Springs.

Quantum Corporation will convert its Colorado Springs tape drive manufacturing plant to a product marketing center and lay off 335 permanent and 465 contract positions by the end of 2000. Most of the production assembly is expected to move overseas to take advantage of lower labor costs. As a result, Quantum subcontractor Trimm Technologies laid off an additional 27 employees and 53 contractors.

Activity has also occurred in Colorado Springs traditional manufacturing sector. Mountain bike suspension system manufacturer RockShox Inc. is currently involved in moving its headquarters from the Silicon Valley to Colorado Springs to take advantage of the lower cost of doing business. RockShox expects to hire 150 workers.

Employment in the *transportation, communications, and public utilities* sector grew at an average rate of 9.4% during the 1990s, faster than any other sector in Colorado Springs, and more than twice the state's growth rate of 4.2% in this sector.

Telecommunications systems and software developer MCI-WorldCom is the primary reason for much of the growth in this sector during the 1990s. In 1991, MCI-WorldCom, then MCI Communications, opened its networking systems engineering operations in the city, and within one year employed 900 workers. Currently with 4,650 direct employees and 2,200 contractors, MCI-WorldCom is the county's largest private employer and fourth-largest employer.

VoiceStream Wireless Corp. announced plans to open a customer service and operations center and hire 550 workers by the end of the year in the Briar-gate Business Campus. Workers at the center are expected to have an average annual salary of \$25,000.

Cheyenne Mountain Air Force Station (NORAD) contracted with OAO Corporation to service its communications system. OAO expects to hire 220 workers to fulfill the contract, some of whom they expect

will come from retired military personnel.

A \$27 million expansion of the Colorado Springs Utilities treatment plant south of Fountain became operational in April. The expansion included four water tanks, each holding two million gallons. With 1,800 employees, the Colorado Springs Utilities is the thirteenth-largest employer in Colorado Springs.

After growing at an average annual rate of 3.9% between 1990 and 1999, employment in *retail and wholesale trade* grew 2.9% through August 2000, compared with the first eight months of 1999. The trade sector employs the second largest number of workers in Colorado Springs, but its relatively moderate growth, compared with other sectors, has gradually decreased its share of the employment base from 23.8% of all jobs in 1990 to 22.1% in 1999.

According to the Colorado Department of Revenue, retail sales in El Paso County grew at an average an-

"The City of Colorado Springs reported that city sales taxes were up 10.9% through August 2000, with double-digit growth rates in six of the first eight months of 2000."

nual rate of 8.4% between 1990 and 1999, and continue to grow in 2000, with a growth rate of 8.7% through July 2000, compared with the same time period a year ago. The City of Colorado Springs reported that city sales taxes were up 10.9% through August 2000, with double-digit growth rates in six of the first eight months of 2000. Much of the growth occurred in large ticket items; city sales tax collections from auto dealers, building materials retailers and furniture, and appliance and electronics stores grew more than 10% during the same time period.

Employment in the *finance, insurance, and real estate* sector in Colorado Springs increased 2.9% through August 2000, compared with the same time period in 1999, and at an annual average rate of 5.5% between 1990 and 1999. While it employs only 5.9% of the work force, the sector is an integral part of the Colorado Springs economy.

Ford Credit Co. leased 167,000 square feet of newly constructed office space at the Interquest Office Park in northern Colorado Springs. The buildings house

1,100 employees, an undisclosed number of which are new hires.

Construction is nearing completion on financial services firm T. Rowe Price's 147,000-square-foot western headquarters building, the first of four buildings that could be accommodated on the firm's 31-acre campus in the Briargate area. The firm plans to grow to a total of 750 workers over the next several years. In 1998, the company announced that it would be moving its west coast office from Los Angeles to Colorado Springs, and had hired 95 workers within the first three months of operations there. The firm employed 200 people by November 1999.

The *services* sector is the largest sector in the Colorado Springs economy. Growing at an annual average rate of 6.5% during the 1990s, the services sector strengthened its contribution to the local economy, expanding from 28.4% of the work force in 1990 to 33.0% in 1999. Through August 2000, employment in the sector grew 2.8%, compared with the first eight months of 1999.

The health services sector is home to two of Colorado Springs ten largest employers. Memorial Hospital, a public hospital, is the seventh-largest employer, with 3,100 workers. In addition, with 2,500 workers, Penrose-St. Francis Health Care System is the eighth-largest employer. Software development and Internet-related activities are an increasing part of the services sector. Hew-

“Software development and Internet-related activities are an increasing part of the services sector.”

lett-Packard spinoff Allient Inc. announced plans to hire 35 customer-care agents, purchasing agents, and technicians by the end of the year. The software developer is expanding its customer-call center in Colorado Springs. Tribal Voice, Inc., a provider of online instant messaging services, moved its software operations from Woodland Park to Colorado Springs, and will have hired 150 people by the end of the year. GoldMine Software Corp., a provider of web-based software and Internet business services, changed its name to FrontRange Solutions Inc. and announced plans to build a 45,000-square-foot building next to its headquarters and hire an additional

200 employees.

Job losses in this sector include software developer Noochee Solutions Inc., which laid off between 25% and 30% of its 180 workers, and business-to-business insurance software provider Channel Point, Inc., which laid off 50 people from its sales and marketing departments, citing too rapid growth as the cause. In addition, FedEx Corp. announced that they would lay off 200 of the firm's 600 employees at its software development operation in Colorado Springs, but hinted that 150 workers would be hired once a \$20 million office building planned at Northgate is operational in 2001.

With several major military installations, *government* is a vital part of the Colorado Springs economy. Federal, state, and local government employed 15.6% of the area work force in 1999, down from 19.3% in 1990. The sector's diminishing impact has not been the result of shrinking government employment but instead a result of an expansion in other sectors, resulting in a more diversified employment base. Government employment grew 0.8% through August 2000, compared with the first eight months of 1999, and at an average annual rate of 2.3% during the 1990s.

Federal military installations in El Paso County include four of the area's five largest employers. With more than 33,300 employees among them, the county's three largest employers are Fort Carson (17,439 employees), Peterson Air Force Base (10,117 employees), and the Air Force Academy (5,719 employees). Schriever Air Force Base is the county's fifth-largest employer with 3,798 employees. In addition, the Cheyenne Mountain Air Station ranks among the twenty largest employers, with 1,400 employees. Much of the federal military employment in Colorado Springs is related to advanced technology and is relatively high-wage. Schriever Air Force Base houses the Air Force's 50th Space Wing, which controls the Department of Defense's weather, warning, navigational, and communications satellites. The Cheyenne Mountain Air Station is the home of the North American Air Defense Command (NORAD) and the U.S. Space Command, which monitor foreign aircraft, missiles, and space systems. The military's impact on the Colorado Springs economy is not limited to direct government employment.

“Much of the federal military employment in Colorado Springs is related to advanced technology and is relatively high-wage.”

Colorado Springs is home to several contractors with the Department of Defense, including Lockheed-Martin Mission Systems and General Dynamics. Boeing Co. opened a new office and hired 75 employees late in 1999 to fulfill their contract with the Department of Defense to design a system to protect the nation from nuclear attack.

Three local government employers are among the largest ten employers in El Paso County. Colorado Springs School District #11 is the sixth-largest employer, with 3,440 workers. With 2,318 employees, the City of Colorado Springs is the ninth-largest employer. Finally, El Paso County is the tenth-largest employer, with 2,029 employees.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction declined 15.2% through September, compared with the first nine months of 1999. Despite the decline, the construction industry remains robust. The value of nonresidential construction boomed at an average annual rate of 20.6% between 1990 and 1999, and thus the value of nonresidential construction remains at very high levels. In addition, office, retail, and industrial vacancy rates in Colorado Springs remain at low levels, indicating that there is no threat of overbuilding.

The value of construction in the *office* sector declined 5.0% through September 2000, after growing at an average annual rate of 22.6% during the 1990s, according to F.W. Dodge. However, several office construction projects have been announced or are already under way. Plans were announced to build a 550,000-square-foot, \$78 million office complex on 53 acres in the Briargate Business Campus. The project, which includes three existing buildings and seven planned buildings, is expected to be complete by 2003. FedEx Corporation began construction on a \$20 million, 156,000-square-foot, three-story building in the Northgate Business Park. Goldmine Software Corporation announced plans for a 45,000-

square-foot, two-story expansion of its headquarters building. Construction began on a four-story, 150,000-square-foot speculative office building in the Briargate Business Center. Also in the Briargate Business Center, T. Rowe Price began construction on a 147,000-square-foot customer service center. Nonprofit company Compassion International began construction on their \$24 million, 150,000-square-foot, three-building headquarters complex in the spring in the Northgate Corporate Village. Several speculative office buildings are planned near the Colorado Springs Airport and the Peterson and Schriever Air Force bases. Construction began on the first building of the Aerospace Technology center, a 165,000-square-foot, two-building office complex. Nearby, the \$18 million, five-building, 138,000-square-foot Platte Airpark Center is under construction on 12 acres.

Retail construction continues to impress, increasing 30.9% through September 2000, after expanding at

“Retail construction continues to impress, increasing 30.9% through September 2000...”

an average annual rate of 24.7% between 1990 and 1999, according to F.W. Dodge. Construction on the 138-acre First & Main shopping center in eastern Colorado Springs is well underway, with the first two anchors of the center slated to open before the end of the year. The shopping center includes a 17-screen movie megaplex. Plans were announced to build Pine Creek Village Center, a \$15 million, 140,000-square-foot shopping and office complex in the Briargate area that will include a 1.5 acre park. Also in the Briargate area, plans were announced to build the Union Town Center, a 168,000-square-foot retail center on 23 acres. Pending city approval, construction could begin in mid-2001. Finally, construction continues on the 60,000-square-foot Skyway Plaza Shopping Center in southwest Colorado Springs. Recent construction includes a 4,800-square-foot retail pad and a 27,000-square-foot U.S. Postal Service facility.

According to F.W. Dodge, ***industrial*** construction declined 98.2% during the first nine months of 2000, compared with the same time period in 1999, after growing at an average annual rate of 18.6% between 1990 and 1999. Much of the economic growth in the manufacturing sector has occurred within existing or

vacant structures; however, because many new manufacturers have expanded their operations with administrative buildings and other facilities, it has contributed to growth in the construction of office and other nonresidential structures.

Construction in the *hospital and health treatment* sector declined 84.4% through September 2000, compared with the first nine months of 1999, according to F.W. Dodge. The \$22 million Audubon Medical Campus at the corner of Fillmore Street and Union Boulevard includes an outpatient surgery clinic, an ear, nose, and throat clinic, and an orthopedics clinic. In addition, Memorial Hospital's new local outpatient surgical center, the 250,000-square-foot Printers Park Medical Plaza and Surgery Center, opened this summer. Finally, construction recently began on Premier Health Plaza, a 100,000-square-foot medical office building expected to open next summer.

Government construction has been robust, increasing from nothing in the first nine months of 1999 to \$5.9 million in the first nine months of 2000. Plans were announced to build a \$5 million, 27,000-square-foot post office on 3.2 acres in southwest Colorado Springs to serve the 80906 zip code. Earlier this year, the Colorado Springs City Council approved spending \$121 million for parks, trails, and sports facilities during the next ten years.

Plans were announced to build two large power plants south of Colorado Springs to provide electricity to Xcel Energy Inc., the former Public Service Co. of Colorado. The first, a \$100 million plant, will include four natural gas-powered turbines that will generate 215 megawatts and will begin operations in June 2001. The second, a \$90 million plant, will burn tires to generate 83-megawatts, and is expected to be complete in 2003.

Construction in the *education and science* sector increased 23.1% in the first nine months of 2000, compared with the same time period a year ago. The University of Colorado at Colorado Springs began construction on several improvements to their campus, including a \$29 million expansion of their library, an \$11 million renovation of Cragmor Hall and Cragmor Manor, and a \$5.4 million renovation of their student center.

Construction in the *amusement* sector declined

"...the Colorado Sky Sox baseball club announced plans to to open a new stadium in downtown Colorado Springs in 2003..."

58.1% through September 2000, compared with the first nine months of 1999. However, the Colorado Sky Sox baseball club announced plans to to open a new stadium in downtown Colorado Springs in 2003, helping to alleviate the current decline. The proposed location is east of the new voter-approved \$11 million, 30-acre park between Interstate-25 and the railroad tracks.

Residential Construction

According to F.W. Dodge, the number of residential units under construction through September 2000 increased 7.3%, compared with the first nine months of 1999. Construction of single-family homes grew slightly, while the construction of apartment units showed strong growth. Residential construction should remain healthy in 2001, stoked by continued expansion in employment, personal income, and population.

Fueled by low housing prices that resulted from the economic slump of the late 1980s and the subsequent economic boom that brought thousands of high-paying jobs to the area, residential construction in Colorado Springs grew at phenomenal rates in the early 1990s, and continued to grow, though at slower rates, throughout the remainder of the decade. According to F.W. Dodge, the number of residential units under construction in El Paso County increased at an average annual rate of 22.8% during the 1990s. The largest increase occurred in 1992, when the number of residential units under construction soared 123.6% over the number built in 1991. Although construction of apartments and multi-family homes grew at a faster rate than single-family homes, the large majority of additional residential units built in the 1990s were single-family homes. Meanwhile, the cost of housing in Colorado Springs grew substantially during the 1990s. In the rental market, demand overwhelmed supply, pushing vacancy rates down and rental rates up. The residential

“...according to a national study released by Coldwell Banker, Colorado Springs ranks as the most affordable metropolitan single-family housing market in Colorado.”

sector was overbuilt in the late 1980s and many apartment units and single-family homes were vacant. Despite an average annual growth rate of 28.2% in the construction of multi-family units during the 1990s, the multi-family vacancy rate was only 3.9%, and the average rental rate for all apartments was \$630.67 in the second quarter of 2000, up \$130 in five years. According to the El Paso County Assessor's office, the average price of a single-family home in Colorado Springs grew at an average annual rate of 13.4% from \$113,000 in June 1996 to \$187,000 in June 2000. The *median* price for new and used homes in September was \$140,000, up 7.7% from September 1999. However, while costs are rising in Colorado Springs, they remain favorable compared with the rest of the state. Vacancy rates in Colorado Springs are higher and rental rates are lower than in metro Denver, the mountain resort towns, and Fort Collins/Loveland. In addition, according to a national study released by Coldwell Banker, Colorado Springs ranks as the most affordable metropolitan single-family housing market in Colorado.

Substantial residential construction is being conducted by and for the military in Colorado Springs. The U.S. Army is redeveloping **Fort Carson**, an army base just south of Colorado Springs. Construction, costing an estimated \$250 million, will create 840 new homes and renovate 1,823 existing homes. Meanwhile, an 80-unit multi-family housing development is under construction in northeast Colorado Springs at Austin Bluffs Parkway and Woodmen Road. The apartments will first be offered to enlisted personnel who work at military installations in the area. An estimated 40% of the units will be for low-income housing.

Outside of Colorado Springs, substantial development is occurring in the cities of **Fountain** and **Manitou Springs**. Over 11,000 new housing units have been proposed for Fountain, in addition to two retail centers totaling over 200,000 square feet and a

new 20,000-square-foot medical office building. Construction is expected to begin in early 2001, and the entire development will take ten years to complete. Meanwhile, plans were announced for a mixed-use development in Manitou Springs that would include 2,400 residential units, 1.9 million square feet of office and retail space, a resort hotel, and a golf course. The development would take between 10 and 15 years to build and would more than double the size of Manitou Springs.

Tourism

Colorado Springs was founded as a resort town in 1871, and tourism has been an integral part of its economy ever since. While activity in the tourism industry remains at healthy levels, it has declined compared with tourism activity in 1999. Spokespersons for tourism attractions throughout the area indicated that much of the decline has occurred because of reduced visitation from outside of Colorado, partially as a result of higher gasoline prices, the fires that raged throughout the West, and lower levels of traffic at the Colorado Springs Airport. The Air Force Academy, which is the second-largest tourism attraction in the state after Rocky Mountain

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National Park, welcomed more than 574,000 people through September 2000, down 5.4% compared with the first nine months of 1999. The Air Force Academy is hoping that plans for a complete renovation of their visitors center will help draw more people in the future. While the number of visitors to the Pikes Peak Highway declined approximately 1% through September, their revenues were up. Visits to the Cheyenne Mountain Zoo declined 13.5% through September. A spokesperson for the Cheyenne Mountain Zoo indicated that the proportion of zoo visitors in July that come from outside of Colorado is usually approximately 42%, but this year only 24% came from outside of the state. Finally, fewer people are flying to and from Colorado Springs; passenger boardings at the Colorado Springs Airport declined 3.0% through August 2000, compared with the same time period in 1999. An airport spokesperson indi-

cated that the problems incurred by United Airlines during the summer and fall, the loss of AccessAir in late 1999, and the discontinuance of direct nonstop service to Las Vegas by American Airlines contributed to the decline. Meanwhile, construction began on a \$2 million, 525-foot-long connector bridge at the Colorado Springs Airport. The bridge will connect the main terminal to the East Unit Terminal.

Summary

After a decade of strong growth, the dynamic Colorado Springs economy remains strong, buoyed by healthy activity in high-tech manufacturing, communications, software-related services, construction, government/defense, and tourism. Advanced tech-

nology employment, distributed among the manufacturing, services, communications, and government/defense sectors, is growing at an earnest pace and should continue to increase the area's economic diversity and vitality. Although slowing from the heady rates of much of the last decade, construction activity remains at very high levels in most sectors, and should remain there in the coming years as the county's population and per capita income continue to swell. While the area's original industry, the tourism industry, has been adversely affected by outside factors in 2000, it remains healthy. Meanwhile, rising costs and a shortage of labor could hinder future growth.

Colorado Springs (El Paso County) Economic Indicators at a Glance		
	Colorado Springs	Colorado
Population Growth		
1990-99 CAAGR	2.6	2.6
1998-99 Growth Rate	2.0	2.5
Nonfarm Employment Growth		
1990-99 CAAGR	4.8	3.8
1998-99 Growth Rate	4.7	3.7
Unemployment Rate (Regional data not seasonally adjusted)		
1990-99 Average	5.3	4.3
2000 Year-to-date (through August)	3.2	2.6
Retail Trade Sales Growth		
1990-99 CAAGR	8.4	7.3
1998-99 Growth Rate	7.5	8.5
Year-to-date Nonresidential Construction*	-15.2	-18.4
Year-to-date Residential Construction*	7.3	-8.6
* F.W. Dodge 2000 year-to-date through September.		