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National Economy

by Natalie Mullis

Inflation-adjusted gross domestic product (**GDP**) increased at an annual rate of only 1.4% in the fourth quarter of 2000, following a 2.2% gain in the third quarter. Despite the significant slowing in the second half, GDP increased by 5.0% in 2000, the biggest gain since 1984. Consumer spending slowed from a 4.5% annual rate in the third quarter to a 2.9% rate in the fourth quarter; much of the decline was caused by lower consumer spending on durable goods. Business investment on equipment and software declined in the fourth quarter, a result of a large decline in the volatile transportation equipment sector. Meanwhile, private spending on new housing decreased 2.5%, while government spending increased 4.6% in the fourth quarter.

Employment growth slowed substantially in December, but rebounded in January despite more layoff announcements. The economy added only 19,000 jobs in December, but exceeded expectations in January with the addition of 268,000 jobs, with job gains concentrated primarily in the construction and services sectors. While the manufacturing sector lost 65,000 jobs in January, manufacturing employees worked slightly longer hours during the month. Outside of the manufacturing sector, the labor market shows no substantive signs of recession; the weak gains in December were weather-related, and the three-month moving average of 113,000 additional jobs per month indicates a growing economy, albeit at a slower rate than in recent years. Furthermore, while the **unemployment rate** edged up to 4.2% in January from 4.0% in December, the unemployment rate remains at a very low level historically. Meanwhile, average hourly earnings remained flat in January.

"Consumer confidence declined for the fifth consecutive month in February, to a level 25% lower than its peak in May 2000."

Consumer spending is slowing amidst increased layoffs, the weak stock market, and high energy prices. *Consumer confidence* declined for the fifth consecutive month in February, to a level 25% lower than its peak in May 2000. Consumers are becoming wary of the future, with shaky expectations for future conditions, rather than perceptions about current conditions, causing most of the decline in the index. Consumers, although spending at slower rates than in recent years, are not pulling back completely; *retail sales* grew 0.7% in January, after essentially remaining flat in December with a 0.1% growth rate. After three months of declining or flat growth, sales of durable goods and autos rebounded in January as a result of better weather and heavy discounting. According to the *online shopping index*, e-commerce sales declined 35% in January from the record set in December, but remained 24% higher than in January 2000. Because the index is not seasonally adjusted, much of the month-to-month dip can be explained by the holidays. Meanwhile, *personal income* grew at a healthy rate of 0.4% in January, while the *saving rate* remained negative at -0.8%.

"The manufacturing sector is in a recession…"

The **manufacturing** sector is in a recession, as the *National Association of Purchasing Manager's Index* indicated contraction for the sixth consecutive month in January. The index fell to 41.2% in January, the lowest level since the last recession. An index below 50% indicates that the sector is contracting. *Durable goods* orders increased 2.2% in December, buoyed by strong orders for transportation equipment; excluding the volatile transportation equipment sector, durable goods orders declined 1.4%. *Industrial production* declined 0.3% in January, after declining 0.5% in December, and *business inventories* increased 0.1% in January, as companies nationwide tried to avoid overcapacity.

News from the **construction** sector was mixed in December. *Construction spending* increased 0.6%, with a drop in remodeling more than offset by increases in single-family home construction, office construction, and government spending on highways and educational buildings. *Existing home sales* declined 6.6% in both January and December, after a 4.5% increase in November. However, while *new home sales* showed volatility in recent months, declining 10.9% in January after surging 14.9% in December, the housing market thus far remains strong by historical standards. Meanwhile, the median price of a new home rose nearly 5% in 2000. Total *housing starts* increased 0.3% in December and 5.3% in January. While the level of consumer confidence and the performance of the stock market will continue to have influence over the residential real estate market in 2001, loosening Federal Reserve monetary policy should help keep this market healthy.

Apparently benign **inflationary** pressure allowed the Federal Reserve Board to cut interest rates by a total of 100 basis points in January without fears of overheating prices. However, a 0.6% consumer inflation increase in January did show indications that inflationary pressure may be lying in wait in some sectors of the economy. While this increase was influenced by high energy prices, consumer prices excluding the volatile food and energy sectors still increased 0.3%, due to increased costs for tobacco, medical care, and prescription drugs. While high energy prices are considered a temporary shock, many economists believe that the extended period of high energy prices may lead to price pressures in other sectors. Further, rising medical costs may portend a more permanent increase in inflationary pressure. Meanwhile, *producer prices* increased 1.1% in January and unit labor costs, the cost of labor adjusted for productivity, increased 4.1% in the fourth quarter of 2000.

"...the chances of an economy-wide recession remain low, albeit tenuous."

Although the economy is slowing, the chances of an economy-wide recession remain low, albeit tenuous. The slowdown remains concentrated in the manufacturing sector, while the remainder of the economy seems to be in the midst of a soft landing, although rocky at times. The long-term trend in employment is healthy, but slowing, and though consumers seem nervous about the future they have not entirely curtailed their spending. The construction and real estate sectors remain healthy and inflationary pressure remains fairly benign thus far. The Fed's interest rate cuts in January should start working their way through the economy in late 2001, though any beneficial impact on the stock market could moderate the slowdown earlier. Federal tax cuts would likely not have an impact on the economy until later in 2001.

Colorado Economy

by Jonathan Lurie

The national economic slowdown in the past few months had an impact on Colorado businesses. The sinking stock market translated to more cautious business investment. Combined with less-than-expected sales and orders for durables, particularly technology-rich goods, this has reduced cash flow. This month witnessed several firms, particularly small start-up businesses, undergo cost-cutting measures and restructuring in order to project profitability. Newsworthy layoffs were reflected in the recent slowing trend in statewide employment growth. To make matters worse, rising energy production costs reached consumers and overall inflation came in higher than expected. Although, housing prices continued to break records, the real estate market showed signs of slowing. However, the unemployment maintained record lows and development projects around the state indicated sustained positive growth.

Colorado's Economy at a Glance

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

Employment

The unemployment rate fell to 2.4% in December, its lowest point in the past six months, and close to its record-low rate of 2.2% in May 2000. Preliminary figures for the year 2000 reveal a record-low 2.6% annual average unemployment rate. Figure 1 shows the national and Colorado unemployment rate for the past ten years. While both state and national unemployment were near the same level in early 1990, they have diverged as the state has experienced less unemployment relative to the country.

However, preliminary figures for state employment in 2000 suggested that employment growth slowed to 3.2%, compared with 3.7% growth in 1999. Figure 2 illustrates overall nonfarm employment and employment growth. The line indicates the 12-month employment growth rate.

Figure 1: Unemployment Rate
Seasonally Adjusted, 3-Month Average

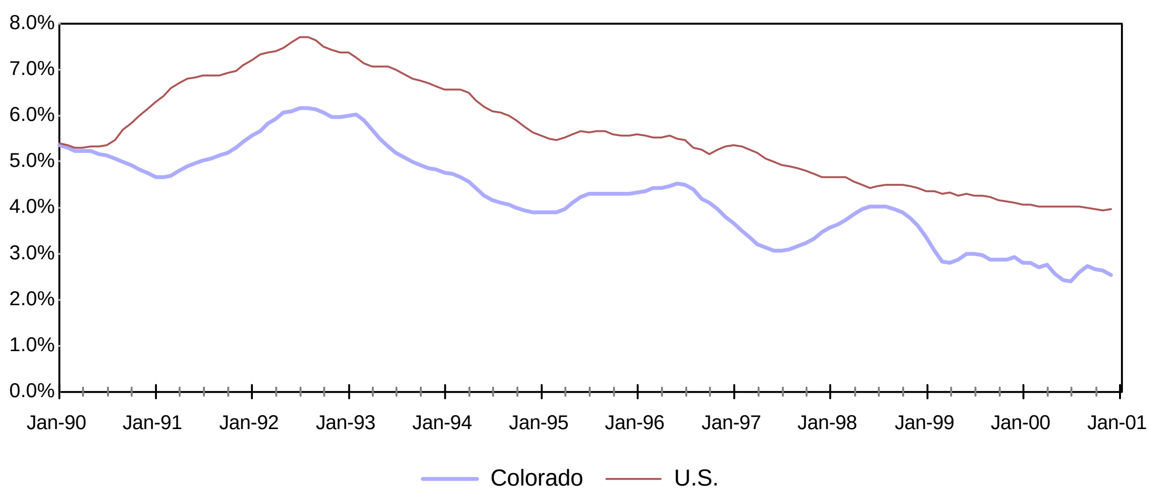
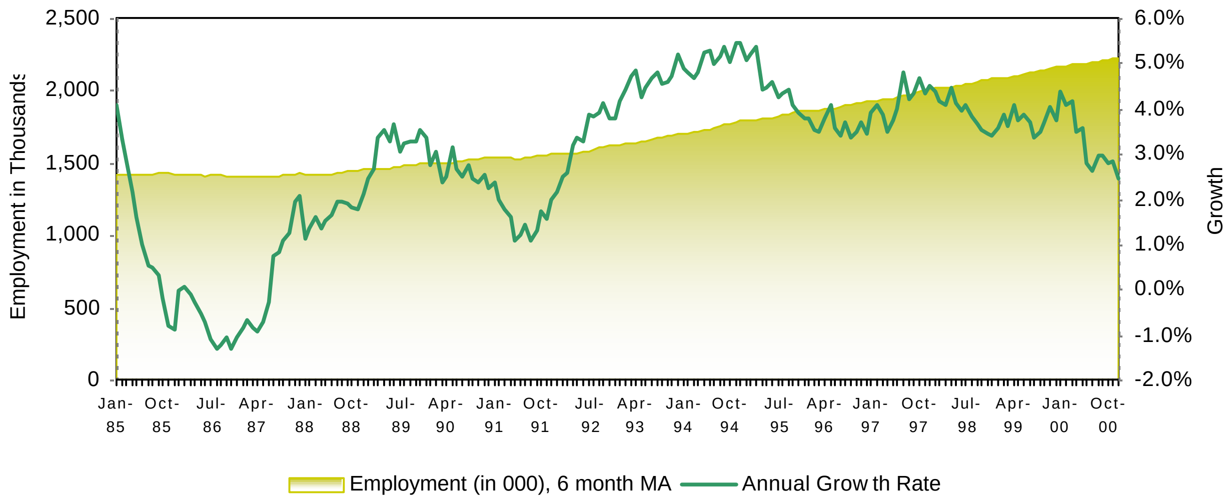


Figure 2: Employment and Employment Growth

Monthly Figures: Jan. 1985 to Dec. 2000



There were several layoffs announced this month, mostly in the technology sector. As a result of reduced cash flow, many companies were forced to streamline operations and cut costs. Details regarding each employment gain or loss can be found in the regional sections in this edition of the *Chronicle*.

Janus Capital Corporation cut 249 Denver jobs. Englewood-based ICG Communications laid off 500. New Global Telecom eliminated 40 of its 150 jobs and Rhythms NetConnections released 390 employees. New Era of Networks, cut 150 of 990 jobs nationally in an attempt to market itself for acquisition. Bolder Technologies laid off 89 of its 126 employees. ServiceMagic.com eliminated 46 sales-related jobs. Evoke Communications cut 43 of its 145 statewide jobs. Mshow.com cut back its total workforce by 58%, including 120 jobs in Colorado. XOR Incorporated announced job layoffs amounting to between 10 and 15% of its 350-person nationwide work force. Optika eliminated 30 employees, Mobilize reduced its workforce by 35, CyberCrop.com cut 23 workers, and LanguageWare ended operations, eliminating nearly all of its 25 jobs.

Some established blue-chip firms also felt the effects of the recent economic slowdown. In Colorado, AT&T Broadband announced 235 layoffs. Lucent Technologies laid off 16,000 jobs nationally and 200 in Colorado. WorldCom announced as many as 11,000 job cuts, over 14% of its worldwide work force.

There were some employment gains announced this month. InPhase Technologies, a division of Lucent, announced plans to hire 100 additional employees in the next two years. Astracon announced it would double its worldwide work force to 260 by the end of 2001.

Residential Construction

Final housing permit data for 2000 from the U.S. Census Bureau indicated the *number of permits* for residential construction increased 9.0% from 1999. While single-family home permits decreased 1.9%, multifamily homes made up the shortfall with a strapping 47.2% growth.

According to Perry and Butler Realty, the *average price* of a single-family home in metro Denver continued to set records, reaching $253,282 in February, an 11.9% increase over one year ago. The *median price* of a single-family home was $202,000 in February. However, the local real estate market is slowing. Nearly 29% more homes are for sale compared with one year ago. Further, homes are taking longer to sell.

Forest City Stapleton announced plans to devote 10% of single-family homes and 20% of planned multi-family units to affordable housing at the redeveloped former Stapleton Airport. This will provide 800 homes and 800 apartments for low-income residents over the next 15 years. According to Forest City Stapleton, this plan will offer more affordable housing than originally proposed.

The Colorado Coalition for the Homeless broke ground on the Off Broadway Lofts between Coors Field and Uptown neighborhood in North Denver. The lofts will be made available to formerly homeless individuals and tenants who earn less than 60% of the neighborhood's median income, currently equivalent to an income between $25,000 and $35,000. The $7.5 million project will include 81 residences, as well as 4,000 square feet of retail or office space, and a parking garage. The lofts should be available by November.

The developer behind loft projects in the Golden Triangle and Congress Park neighborhoods near downtown Denver will break ground on a third residential loft project near 19th avenue and Washington Street. Saint Lukes Lofts will offer 41 units and will be priced between $275 to $300 per square foot ($300,000 to $500,000 for 1,100 to 1,700 square feet units). The seven-story project is estimated to cost $14 million.

Triton Investment Company announced a $1 million redevelopment plan for an 86-year old building at Colfax Avenue and Lafayette Street. Rosenstock Place will be renovated into loft apartments and retail space. The project is expected to be completed by mid-2001.

DPC Development and C&A Holding announced a joint venture to build 500 multi-family units at the 1,400-acre Stonegate, near E-470 and Jordan Road in southeast metro Denver. The housing project, consisting of condominiums and townhomes, will take up 28 acres and units are expected to be sold for between $100,000 to $200,000. The project should be complete by mid-2002.

Nonresidential Construction

According to F.W. Dodge, construction contracts, the value of 2000 nonresidential construction slipped 14.2% from 1999. The decrease was attributable to fewer manufacturing projects (-80.5%), school construction (-34.3%), and hospitals (-59.7%). Commercial development grew 5.4% led by growth in office space (22.9%).

"...the value of 2000 nonresidential construction slipped 14.2% from 1999."

Old Town Littleton will have a new 14,000-square-feet retail center in a year, according to plans offered by Landon Enterprises. The Riverbend Retail Center project will begin breaking ground this summer and, by build-out six months later, should have restaurants, coffee houses, and bistros.

Time Warner Telecom is in the process of conducting feasibility studies for its new Denver area headquarters on 24 acres in Douglas County. The parcel, near E-470 and Peoria, is still under contract, but Time Warner has disclosed plans to build 350,000 square feet of office and manufacturing space. The network and broadband provider has an option on an adjacent 28-acre parcel that would allow for another 750,000 square feet of development.

Inflation

"The 4.0% inflation increase was the highest since a 4.3% gain in 1995."

Inflation in the Denver-Boulder-Greeley area increased 4.0% in 2000. The cost of housing (5.2%) and transportation (5.8%) had the largest increases. Medical care costs rose 4.9% in 2000, while prices

Table 1. National and Local Inflation Rates

Calendar Year	U.S.		Denver - Boulder - Greeley	
	Consumer Price Index	*Inflation Rate*	*Consumer Price Index*	*Inflation Rate*
1994	148.2	2.6	141.8	4.4
1995	152.4	2.8	147.9	4.3
1996	156.9	3.0	153.1	3.5
1997	160.5	2.3	158.1	3.3
1998	163.0	1.6	161.9	2.4
1999	166.6	2.2	166.6	2.9
2000	172.2	3.4	173.3	4.0

for food and beverages rose a modest 2.2%. Clothing prices fell for the third consecutive year. The 4.0% inflation increase was the highest since a 4.3% gain in 1995.

Transportation

According to a study done by the Wall Street Journal, Denver International Airport ranked first among 20 major U.S. airports in considering design and amenities. This comes after J.D. Power and Associates ranked DIA second among large U.S. airports in customer satisfaction.

For the fourth year in a row, DIA set a record for passenger traffic. In 2000, 38.7 million passengers flew into, out of, or through DIA, an increase of 700,000, or 1.8% over 1999 traffic. United Airlines, despite a decrease of 1 million passengers, accounted for 68.9% of DIA travelers. Frontier Airlines accounted for 8.2% of all traffic, up from a 5.6 market share in 1999.

Agriculture

According to the Colorado Agricultural Statistics Service, nearly all January 2001 crop prices were higher than a year ago due in part to low production levels. Wheat, at $3.01 per bushel, was 38.7% higher than last year. Corn prices were $2.10 per bushel, 18.6% higher than January 2000. Barley and potato prices were 4.8% lower and 41.5% lower, respectively, than last year. Low potato prices were due to a near-record high average yield per acre in the San Luis Valley.

Both the supply and prices of cattle and calves were up in January. The January steer and heifer price, at $82.50 per cwt, was 12.9% higher than a year ago. Cow prices prevailed at $39.60 per cwt and averaged 4.8% over January 2000. The January calf price increased 2.8% from a year ago, to $110.00 per cwt. The inventory of cattle and calves on feed for the market was up 3% from a year ago.

Gaming and Tourism

Colorado casinos earned $50.9 million in adjusted gross proceeds in January. This figure was an increase of 3.7% over December and 2.6% from January 2000. In 2000, Colorado casinos pulled in $631.8 million in revenues, up 14.6% over the 1999 revenues of $551.3 million. Black Hawk accounted for 68.6% of the 2000 revenues, Cripple Creek contributed 21.3%, and Central City was responsible for 10.0%.

Meanwhile, the 2.28 million visits to Colorado ski resorts through December increased 29% over last year's fall season and was 7% higher than the most recent five-year average. If ski visits maintain the fall pace through the spring, the estimated 2000-01 season may approach 12 million visits and would be a record year.

Business Investment

According to PriceWaterhouseCoopers, venture capital firms invested $2.1 billion in Colorado companies in 2000, an increase of 50% over the 1999 level. Those companies receiving the most in venture capital were Formus Communications ($200 million), VeloCom ($65 million), Pico-Light ($38.9 million), a Boulder optical networking firm, Requisite Technology ($30 million), a Westminster business offering technology for online catalogs, and Fuel-Spot.com ($21 million) a Golden firm that creates e-commerce solutions for petroleum companies.

"According to PriceWaterhouseCoopers, venture capital firms invested $2.1 billion in Colorado companies in 2000, an increase of 50% over the 1999 level."

Energy

Due to rising energy prices, the Colorado Oil and Gas Conservation Commission approved 1,529 drilling permits, a 51.4% increase over 1999. One-third of the permits were approved in Weld County. For 2001, the commission predicted approved permits could increase to 2,000.

In response to increased demand for natural gas, PG&E National Energy Group (a separate company from California-based Pacific Gas & Electric) approved plans to construct a power plant in Arvada. The 108-megawatt facility will exclusively sell power to Xcel Energy for use along the Front Range and will only generate power during times of peak demand.

As of February 8, Colorado retail gasoline prices averaged $1.501 per gallon, up 1.6% from the average price in January. The highest gas prices were surveyed in Vail with $1.839. The lowest prices surveyed were in Colorado Springs with $1.409.

Metro Denver

Several metro-Denver firms announced job reductions. AT&T Broadband announced 235 layoffs in the state as a result of its acquisition of MediaOne Group. Most of these jobs were eliminated in the Arapahoe County headquarters. The cost-reduction cuts were offered as part of a plan in which AT&T will branch off four divisions, including the broadband division based in Arapahoe County and the cable programming based in Douglas County, into separate companies. The broadband division of AT&T employs 50,000 nationally and 6,000 in Colorado.

In another effort to streamline costs and increase profitability, Lucent Technologies laid off 16,000 employees nationally, 13% of its total workforce. The job cuts in Colorado are expected to total 200, 10% of Lucent's employees in the state. Most of these employees work in sales and customer support. In fact, several of the Lucent employees found work with Lucent's recently spun off business telecommunications unit, Avaya.

InPhase Technologies, another spinoff of Lucent specializing in storage technology, announced plans to hire 100 additional employees in the next two years. The company hopes to hire primarily engineers and product developers.

"Janus Capital Corporation, a Denver-based mutual fund investment firm, cut 468 jobs nationwide and 249 local jobs in its customer service and support area."

Janus Capital Corporation, a Denver-based mutual fund investment firm, cut 468 jobs nationwide and 249 local jobs in its customer service and support area. Janus still employs 1,875 in Denver. A sharp decrease in investor interest motivated the decision. The financial services industry experienced a slowdown due to the weakness in last year's stock market.

Small telecommunications firms that were unable to meet expectations of sales and growth and to attract additional investment began the process of trimming costs in order to maintain plans for profitability. Englewood-based ICG Communications announced it will lay off 500 of its 2,262 national employees as part of a restructuring plan in order to climb out of bankruptcy. This comes after an earlier cutback of 300 jobs in October. ICG Communications offers

Internet infrastructure development and services. Another networking company, New Global Telecom, a long-distance telecom firm based in Golden, eliminated 40 of its 150 jobs last month. Rhythms NetConnections, a DSL Internet service provider based in Arapahoe County, released 390 local employees, approximately 23% of its total work force.

Arapahoe County software developer, New Era of Networks or NEON, announced plans to cut 150 of 990 jobs nationally. Of the 250 positions in the Denver office, the company estimated 25 positions would be eliminated. Within a month of announcing the cutback, NEON tentatively agreed to an acquisition by Sybase Inc., a Silicon Valley e-business company. It is not known at this time how the merger will affect employment.

Bolder Technologies, a battery manufacturer in Golden, laid off 89 of its 126 employees last month, due to less than anticipated sales and cash flow. In order to reduce costs, Bolder transferred manufacturing production overseas. Another Golden-based company, ServiceMagic.com eliminated 46 sales-related jobs or 25% of its work force

Two teleconferencing service firms announced cutbacks this month. Louisville-based Evoke Communications announced it will cut 43 of its 145 Colorado jobs as part of a restructuring plan in order to see a profit by 2002. Evoke was forced to close 10 offices across the country. Another video conferencing firm, Mshow.com, cut back its total work force by 58%, including 120 jobs in Colorado. Once at 317 employees, Mshow.com now employs 64 at its headquarters in Highlands Ranch.

The retail sector felt the brunt of an economic slowdown as J.C. Penney Company announced a plan to close 47 stores nationally, eliminating 5,500 jobs. In Colorado, this is expected to affect 180 employees as the stores in the Crossroads Mall in Boulder and in Villa Italia Mall in Lakewood will close for business. In the retail home-improvement subsector, HomePlace Stores of America filed for bankruptcy in January and announced it will close 38 of its 118 stores across the country. As a result, the HomePlace at the University Hills location in Denver will close and lay off 40 workers.

In some positive employment news, Astracon announced it would double its worldwide work force to 260 by the end of 2001. Sixty-five employees currently work in the Denver headquarters. The headquarters may also triple its office space in the Denver Tech Center. Astracon optimizes telephony and data communication lines.

“...the average apartment rent in the fourth quarter of 2000 was $793, an increase of 8.1% over the fourth quarter of 1999.”

According to the Apartment Association of Metro Denver, the average apartment rent in the fourth quarter of 2000 was $793, an increase of 8.1% over the fourth quarter of 1999. Douglas County led the metro area with an average of $1,042 and Denver County had the lowest county average of $729.

Boulder County

Lucent Technologies spun off a new company, InPhase Technologies. InPhase will develop data storage technology. The company currently has 12 employees and 25,000 square feet of office space in Longmont but plans to have 100 employees in the next two years. Longmont also became the home of another data storage name: Seagate Technology. One of the oldest companies in disk storage, Seagate opened a $70 million, 443,000-square-foot facility to consolidate its nine buildings and 1,000 employees in Longmont.

XOR Incorporated announced job layoffs amounting to between 10 and 15% of its 350-person nationwide work force. Boulder-based XOR manages Internet sites, particularly for e-commerce businesses.

McData Corporation broke ground on its new complex in the Great Western Park development in Westminster. Most of the planned construction of nine buildings and 1.5 million square feet should be completed by 2004. The first building will offer 167,000 square feet of office space and should be able to accommodate workers by mid-2001. The plan includes an open space corridor for wildlife and walking trails.

By the end of construction, McData will occupy 104 acres of the 321-acre office park. McData was one of the first tenants at the successful Interlocken Business Park.

"McData Corporation broke ground on its new complex in the Great Western Park development in Westminster."

The University of Colorado received a donation of $250 million in order to establish a research institute for cognitive and developmental disabilities. This is the largest gift ever provided to a public university in the country.

The Community Medical Center opened in Lafayette this month. The $10 million, 50,000-square-feet center became the third largest facility in the Boulder Community Hospital network. The center will serve an area of east Boulder County that witnessed tremendous population growth in the last ten years: Broomfield and Lafayette grew by 36%, while the Louisville population jumped 62%.

As another sign of growth in east Boulder County, Lafayette will get its first hotel. The Black Diamond Hotel will break ground on $4.2 million, three-story, 35,000-square-foot project this month. Rates are expected to range near $85 a night.

El Paso County

Colorado Springs largest private employer, WorldCom with 4,000 employees, announced as many as 11,000 job cuts, over 14% of its worldwide workforce. At this time, there is no estimated impact on the local work force. Like several companies in the communications industry, WorldCom has faced competition from emerging technologies offering telephony through the Internet.

Another big name in Colorado Springs, Intel, announced that it will postpone the opening of a flash-memory chip plant. Intel purchased a vacant factory plant in February 2000 with plans of opening a renovated factory. The expected date of operation has now been extended into 2001. While this does not mean job layoffs, it does postpone plans to hire more workers.

Optika, a software and business-to-business transaction services firm based in Colorado Springs, eliminated 30 employees. The job cuts, along with 10 other reductions outside of Colorado Springs, amounted to 25% of its total work force.

Colorado Interstate Gas will shed 165 jobs as part of restructuring after the merger of its parent company, Coastal Corporation, with El Paso Energy Corporation. However, the mega-energy company also announced plans to add 230 local jobs as a result of consolidating regional offices. Those jobs will likely represent transfers from El Paso, where another regional headquarters was based.

Mobilize, a Colorado Springs based tele-commuting firm, laid off 35 employees in order to trim costs and attract investment. This job cut amounted to more than one-third of the company's local presence.

LanguageWare, a Colorado Springs company offering language translation software, announced it was ending operations after its second-largest shareholder withdrew funding. After a short unsuccessful period of searching for credit, 17 of the 23 employees were laid off in the first phase of shutdown. The remaining employees will likely be released once all assets are sold.

According to the Pikes Peak Regional Building Department, 4,675 new single-family homes were started in 2000, a 7.1% increase from 1999 and close to the 4,731 record set in 1972. Population growth and increased demand for residences trickled down to apartment rents. According to the Apartment Association of Colorado Springs, the average apartment rent in the fourth quarter of 2000 was $662, an increase of 3.8% over the fourth quarter of 1999.

In response to rising housing costs, the El Paso County Commission approved funding for four low-income apartment complexes in Colorado Springs, offering 450 total units. However, the Colorado Springs Housing authority has a list of 2,500 households waiting for affordable housing.

"...the El Paso County Commission approved funding for four low-income apartment complexes in Colorado Springs…"

Private developments have also sprouted to meet housing demand. Infinity Construction and Development broke ground on a 14.5 acre, mixed residential plan offering 36 four-unit buildings and 20 single family homes. Each of the multi-family units will offer 1,212 square feet with three to four bedrooms and will be priced between $137,500 and $147,500. Some units will be retained for renters with expected rents between $1,350 and $1,500 a month. Single family homes will sell between $250,000 and $265,000.

Northern Region

CyberCrop.com, a Fort Collins firm that fosters the sale and purchase of grain over the Internet, eliminated 23 of its 76 jobs in order to reduce costs and preserve capital. Since CyberCrop moved headquarters to Fort Collins in July 1999, the firm grew in size from four employees to 76. CyberCrop recently secured $10 million in venture capital in the third quarter of 2000.

The Ramada Inn in downtown Greeley will be renovated into apartments. The 100-room hotel will be converted to 50 to 60 apartments, targeted at University of Northern Colorado students. The hotel's lounge is planned for a coffee shop and the kitchen and banquet area will be leased to caterers. The project is estimated to cost between $2.5 and 3 million.

Southern Region

Flexible Foam, a carpet padding producer in Pueblo, announced it will close temporarily. The company has been in Pueblo for three years and employs 20 workers.

In Pueblo, Iron Eagle Development revealed plans for Pueblo's first gated community. The Landings at Eagleridge will offer 140 units on 11 acres.

New Safeway grocery stores will open in Alamosa and Cortez in the next two months. In Alamosa, the new Safeway store will open across the street from the current Safeway, but will be much bigger. It will have 52,000 square feet and will employ 70 workers, more than twice that of the current store. Including inventory, the store will cost $10 million. The Alamosa Community Development Corporation has offered a plan to convert the old Safeway into a convention/meeting center.

"New Safeway grocery stores will open in Alamosa and Cortez in the next two months."

Mountain Region

According to the Vail Community Development Department, Vail nonresidential development in 2000 was similar to the development in 1999 regarding the number of permits issued. However, construction in 2000 was valued at $64.2 million, 42.7% more than the prior year. The strongest year on record was 1996 in which there was $87.9 million spent on nonresidential projects.

The Eagle County Regional Airport passed a milestone as it welcomed its 2 millionth passenger. The airport boasts five airlines offering 134 flights a week from 12 cities. During the winter season, the airport is the second-busiest in the state. Vail Resorts claims 40% of the visitors from the airport while Aspen claims another 20%. Service is expected to increase as United Express will begin shuttling two 88-passenger jets to Eagle every day beginning April 1, 2001.

The upscale hotel Ritz-Carlton is making a presence in ski resorts this year with private, time-share condominiums called Ritz-Carlton Clubs. The first set of 73 units was dedicated at the base of Aspen Highlands in Aspen. The fully furnished residences are priced from $160,000 to $475,000 for one-month use. Twenty-six more units will be built in Aspen over the next two years. The next Ritz-Carlton Club is planned for Beaver Creek and is slated for completion by fall 2002.

Construction will start on a mixed-use development near Tabernash in Grand County. At build-out, the Pole Creek Valley area will have 106 single family homes, 56 townhomes, and 104 condominiums on 168 acres. The project will also offer 25,000 square feet of commercial office or retail space. Quarter-acre home sites will be sold for between $57,500 and $100,000. The developer reported that 40% of the lots have been sold. Construction on the townhomes and condominiums will begin this spring. Townhome prices will range between $272,000 and $343,000 and the condos will sell between $160,000 and $210,000. The development will also include an 8-acre lake, 45 acres of open space, and a small service station.

"Construction will start on a mixed-use development near Tabernash in Grand County."

Breckenridge will have a condominium development two blocks from Main Street and along the road to Peak 8. The $35 million project will offer 80 units by late 2002. Each unit is expected to fetch between $450 and $550 per square foot and will range in size between 450 and 1,350 square feet.

Western Slope

Choice Hotels International announced the closing of one of two reservation centers in Grand Junction. The use of online reservation systems made the use of toll-free operators relatively costly. It is unknown how many employees will be let go in Grand Junction. However, Choice Hotels disclosed that 100 jobs will be eliminated between the Grand Junction call center and a similar center in Phoenix.

With the acquisition of Vastar Resources, BP increased its oil and gas presence in the San Juan Basin. The San Juan area became the second largest natural gas production field for BP, after extraction in the Gulf of Mexico.

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 December 2000)	3.4	4.3	2.9	3.6	-0.9	1.3	2.0	1.8	5.9	3.6	-1.4	3.2	3.8	6.5
Unemployment Rate (not seasonally adjusted) (in December 2000)	4.6	1.7	2.3	1.8	2.9	2.2	3.1	2.7	2.1	4.0	3.6	1.5	1.3	2.2
Retail Trade Sales Growth (through November 2000)	8.9	12.7	9.9	13.1	8.1	10.9	8.9	12.7	5.8	10.9	6.2	8.9	9.9	11.0
Housing Permit Growth * (through December 2000)	-10.7	9.1	0.5	-6.5	-7.8	-15.5	-21.3	19.7	-36.5	-7.5	-26.2	-19.8	9.6	-46.1
Growth in Value of Non-residential Construction* (through December 2000)	-51.1	-14.6	4.0	-10.7	8.4	-57.9	-36.4	13.1	*See footnote*	-67.1	32.5	*See footnote*	3.1	-97.1

Actual level not growth rate.
Colorado Department of Labor and Employment data.
* F.W. Dodge data.
Colorado Department of Revenue data.
$2.4 million was contracted in 2000, while nothing was contracted in 1999.
$145.1 million was contracted in 2000, while $62.4 million was contracted in 1999.

Colorado Indicators
Year-to-Date Growth Rates

Indicator	December 2000	November 2000	1999 Annual Average
Nonfarm Employment Growth ¤	3.2%	3.3%	3.7%
Unemployment Rate ¤ ‡ (seasonally adjusted)	2.4	2.7	2.9
Housing Permit Growth ~	9.0	9.7	-3.6
Single family	-1.9	-1.0	6.4
Apartments	47.2	49.0	-27.6
Growth in Value of Nonresidential Construction §	-14.2	-16.7	25.1
Retail	-12.8	-9.5	22.4
Offices	22.9	13.4	-3.4
Factories	-71.7	-76.2	131.6

¤ Colorado Department of Labor and Employment data.
‡ Actual level, not growth rate.
~ U.S. Census Bureau data.
§ F.W. Dodge 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 4.0% in 2000, following a 2.9% rate in 1999.

Regional Economic Review - Pueblo Region
Pueblo, Fremont, and Custer Counties

by Natalie Mullis

The economy in the Pueblo region was strong in 1999 and 2000, although slightly weaker than the economy in the rest of the state. The region is composed of three very diverse counties: Pueblo, Fremont, and Custer. Pueblo County has developed a very diverse economy, with no major industry dominating economic activity. The economy in Fremont County centers around the state and federal prisons located there. Robust population and employment growth in the county during the last decade have been primarily due to new federal prisons. Meanwhile, Custer County's population and economy have been growing strongly, primarily due to the relocation of retirees and others who desire a rural setting with many natural amenities. In both Fremont and Custer counties, the retail trade and services sectors have grown substantially to support those employed by the prisons in Fremont County and the new residents in Custer County.

Pueblo County

Pueblo's economy has grown at a steady pace since the early 1990s. The Pueblo economy began growing in 1992, and by 1994 had recovered from the slump of the 1980s. Since 1994, growth has been steady and sure, though not as fast as the breakneck pace experienced statewide. Between 1990 and 1999, the population in Pueblo County grew at an compound annual average rate of 1.3 percent, employment grew at an average rate of 2.6 percent, and retail trade has been strong, increasing at an average rate of 6.5 percent. In addition, a residential construction boom helped buoy the Pueblo economy through much of the 1990s.

Population growth in Pueblo County is a very good indicator of the health of the Pueblo economy. In 1980, the population of Pueblo County was approxi-

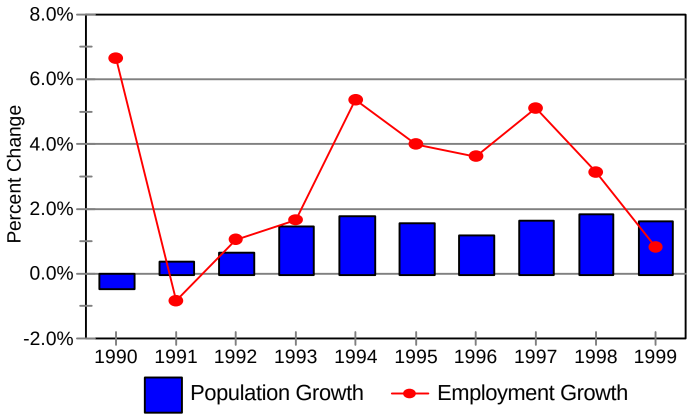
Table 1. Pueblo County Economic Indicators at a Glance

	Pueblo Region	Colorado
Population Growth		
1990-99 Compound Average Annual Growth Rate (CAAGR)	1.3	2.6
1998-99 Growth Rate	1.6	2.4
Nonfarm Employment Growth*		
1990-1999 CAAGR	2.6	4.2
Year-to-date Growth Rate Through Second Quarter of 2000	0.8	3.7
Unemployment Rate (Regional data not seasonally adjusted)		
1990-2000 Average	6.5	4.2
2000 Average	4.1	2.6
Retail Trade Sales Growth		
1990-99 CAAGR	6.5	7.3
Year-to-date Growth Rate Through November 2000	6.2	11.9
1999-00 Growth Rate Nonresidential Construction**	32.5	-14.2
1999-00 Growth Rate Residential Construction***	-26.2	9.0

* Source: ES202; Colorado Department of Labor and Employment.
** Source: F.W. Dodge.
*** Source: F.W. Dodge for Pueblo County, and the U.S. Census Bureau for Colorado.

mately 126,000. As the economy floundered, the county's population shrank to approximately 122,000 in 1985, and did not recover to its 1980 level until 1993. As shown in Chart 1, Pueblo's population began growing at a steady rate of between 1 percent and 2 percent each year in 1993, while at the same time, employment began a six-year period of consistently healthy growth. Employment growth has slowed somewhat during the last few years, growing 0.8 percent in 1999 and only 0.1 percent year-to-date through the first half of 2000. Meanwhile, Pueblo's unemployment rate, like that of the rest of the state, has fallen consistently during the 1990s, from a high of 9.3 percent in 1992 to 4.1 percent in 2000.

Chart 1
Population and Employment Growth
Pueblo County: 1990 to 1999

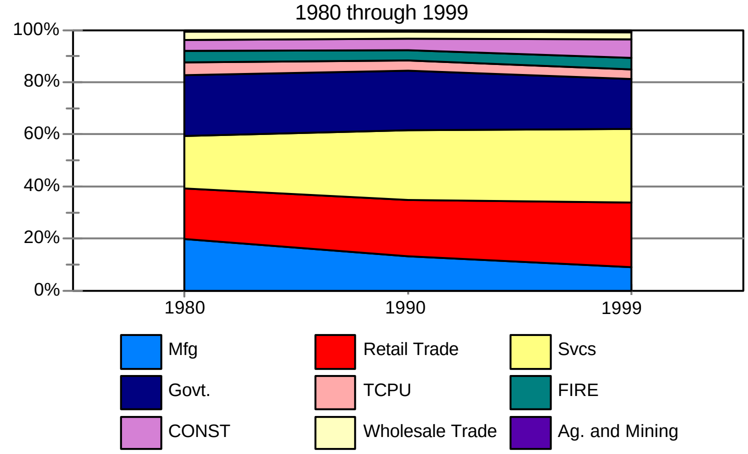


Source: Colorado State Demographer's Office and Colorado Department of Labor and Employment

As shown in Chart 2, the composition of employment in Pueblo has changed significantly since 1980, rendering the Pueblo economy more immune to market downturns in any one industry. In 1980, both the manufacturing sector and the service sector employed approximately 20 percent of Pueblo's work force. By 1999, only 8.9 percent of the work force was employed in manufacturing, whereas 28.5 percent was employed in the service industry, which is quite diversified by itself. Between 1980 and 1998, employment in Pueblo's manufacturing sector declined at an average annual rate of 2.6 percent, while employment in the construction, service, trade, and FIRE (finance, insurance, and real estate) sectors increased at average annual rates of 4.1 percent, 3.3 percent, 2.5 percent, and 2.4 percent, respectively.

Not only has diversification occurred away from the manufacturing sector toward other sectors, but it has occurred within the manufacturing sector itself. In 1980, steel mill CF&I employed nearly 75 percent of Pueblo's manufacturing sector, whereas by 1999, the mill employed only 12.8 percent.

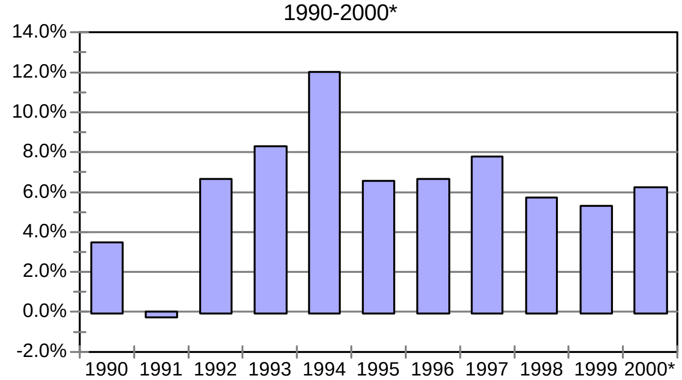
Chart 2
Pueblo County Employment Composition
1980 through 1999



Source: Colorado Department of Labor and Employment

Like the rest of the state, Pueblo's economy did not miss out on the consumer spending boom of the 1990s. Chart 3 displays growth in **retail trade** sales between 1990 and the first eleven months of 2000. Retail trade sales increased at an average rate of 4.3 percent between 1990 and 2000, 5.3 percent in 1999, and 6.2 percent through November 2000. The retail trade sector employed 24.8 percent of Pueblo's work force in 1999, up from 19.4 percent in 1980. Employment in Pueblo's retail trade sector grew 2.4 percent in 1999, and at a compound average annual rate of 4.3 percent between 1990 and 1999.

Chart 3
Pueblo County Retail Trade Growth
1990-2000*



Source: Colorado Department of Revenue
** 2000 shows year-to-date growth through November.*

The **manufacturing** industry employs 8.9 percent of Pueblo's work force. Manufacturing employment declined 4.8% in 1999, and at an average rate of 1.8 percent between 1990 and 1999. Meanwhile, cement shortages resulting from the construction boom across Colorado have attracted new investment in two new cement manufacturing plants in Pueblo and Fremont counties. In Pueblo County, Rio Grande Portland Cement, the U.S. Division of Mexico-based Grupo Cementes de Chihuhua SA, is on schedule to build a cement plant south of Pueblo that will have the capacity to produce 500,000 tons of cement every year. The plant is expected to employ 100 people, and generate a payroll of $4.75 million per year. Construction is expected to begin in about a year.

"...cement shortages resulting from the construction boom across Colorado have attracted new investment in two new cement manufacturing plants in Pueblo and Fremont counties."

The **steel** industry has played an integral role in Pueblo's history, and continues to affect Pueblo's economy. The Rocky Mountain Steel mill, formerly known as CF&I, was the largest employer in Pueblo County during much of the twentieth century, at one time employing 8,200 workers. However, the company's work force has been dwindling since the 1970s. By August 1997, only 1,219 people were employed by the company, and the steel mill had fallen to the seventh-largest employer in Pueblo. Soon after, in early October 1997, 1,000 workers went on strike. Rocky Mountain Steel replaced many of the striking workers by hiring 600 permanent workers, while 100 union members crossed the picket line. At the close of the strike, only 35 striking workers were hired back by the mill, leaving 865 striking workers without a job. The steel mill employed approximately 900 people for the remainder of 1998, dropping to the twelfth-largest employer in Pueblo County. In May 1999, the company further reduced its work force by temporarily closing its seamless tube mill as a result of adverse market conditions. By August 1999, only 617 people worked for the steel mill, down 31.4 percent from a year before. In September 2000, the steel mill reopened the seamless tube mill and began recalling striking workers to staff it. Employment at Rocky Mountain Steel increased from 623 employees in August 2000 to 762 employees as of January 1, 2001. The steel mill expects to hire between an additional 30 to 40 employees by March.

Pueblo has attracted two diverse manufacturing firms: Atlas Pacific and StoneCraft Industries. Atlas Pacific, a manufacturer of food-packing machines, announced plans to move its manufacturing and accounting operations to Pueblo from California, bringing 15 jobs along with it. Meanwhile, StoneCraft Industries, a manufacturer of rock veneers, opened a new plant in Pueblo in 2000. The California-based company currently employs 60 people in Pueblo and expects to hire up to an additional 140 by 2002.

In 1998, **government** employed 19.2 percent of Pueblo County's work force. Government employment in Pueblo County increased 3.3 percent in 1999 and at an average rate of 0.7% between 1990 and 1999. Half of the top ten employers in Pueblo County are in the government sector. School District 60 (Pueblo City) has been Pueblo's top employer for much of the 1990s, with 2,495 employees. The Colorado Institute of Mental Health is the fifth largest, with 1,041 employees; Pueblo County is the sixth largest, with 1,018 employees; the University of Southern Colorado (USC) is the seventh largest, with 1,000 employees; and Pueblo School District 70 is the ninth largest, with 820 employees.

"Half of the top ten employers in Pueblo County are in the government sector."

After six years of declining enrollment, enrollment at USC increased 0.8 percent in FY 1999-00, to 3,629 students. The majority of the growth came among students from other states, with nonresident enrollment growing 5.0 percent in FY 1999-00. Pueblo Community College (PCC) is the sixteenth-largest employer in Pueblo County, with 504 employees. Enrollment at PCC grew steadily during the 1990s, particularly among nonresidents. Since FY 1994-95, nonresident enrollment at PCC has increased at an average annual rate of 21.6 percent, while resident enrollment has grown at an average annual rate of

3.9 percent. Enrollment at PCC increased 3.4 percent in FY 1999-00, to 3,332 students.

The **services** sector employs 28.5 percent of Pueblo's work force, more than any other industry. Pueblo's service industry is primarily concentrated in business services, health care, and tourism. In the business services sector, Chemical Marketing Concepts, a Connecticut-based firm that maintains customer-service phone lines for large chemical companies and ships samples to their customers, opened an operation in Pueblo. They expect to employ up to 49 people in Pueblo within the next five years.

"The health care sector maintains an important role in Pueblo's service industry."

The *health care* sector maintains an important role in Pueblo's service industry. Two of the top ten employers in Pueblo County are health care firms: Parkview Medical Center is the third largest with 1,591 employees, and Centura/St. Mary Corwin Medical Center is the fourth largest, with 1,245 employees. TPA Inc., a third-party administrator for insurance companies, is the fifteenth-largest employer in Pueblo. In March 1999, Foundation Health Systems Inc. announced that it would sell its Colorado subsidiary, QualMed Plans for Health of Colorado Inc., and close its Pueblo service center, eliminating 600 high-paying jobs by the end of the year. However, TPA soon filled the gap, announcing that it would occupy the building vacated by QualMed's service center, and has since hired 600 people in Pueblo.

The **tourism** industry in Pueblo is dominated by the Pueblo Reservoir in Lake Pueblo State Park and the Colorado State Fair. Visits to Lake Pueblo State Park declined 5.0 percent in FY 1999-00. Meanwhile, the Colorado State Fair attracted 673,273 people in 2000, down 5.0 percent from attendance in 1999. Tourism declined somewhat in much of Colorado in 2000 as a result of higher gasoline prices and western wildfires. However, according to the Pueblo City Department of Planning and Development, not all Pueblo tourism has suffered in 1999 and 2000; hotel room tax collections in Pueblo increased 2.1 percent in 1999 and 6.8 percent through the second quarter of 2000 compared with the same time period a year ago.

Residential construction declined 26.2 percent in Pueblo County in 2000, after growing at a compound average annual rate of 15.7 percent between 1990 and 2000. While the large majority of residential construction during the 1990s occurred in the construction of single-family homes, the fastest growth occurred in the construction of apartment units. While only 52 apartment units were built in 1997, 109 were built in 1998, and 240 were built in 1999. However, only 69 were built in 2000. The trend was muted in the construction of single-family homes; after increasing 4.7 percent in 1999, single-family home construction declined 13.4 percent in 2000. Single-family homes represented 89.4 percent of all residential permits in 2000.

The value of **nonresidential construction** increased at a compound average annual rate of 10.7 percent between 1990 and 2000. In recent years, the value of nonresidential construction increased 9.3 percent in 1999 and 32.5 percent in 2000. In 2000, nonresidential construction more than doubled in the education/science, hospital/health treatment, and religious sectors. Construction in the public buildings and amusement sectors also increased, while decreases occurred in the commercial and manufacturing sectors. Construction was completed in October on the Arkansas Riverwalk in downtown Pueblo. The $24 million project includes a half-mile stretch of river available for recreational purposes, the 1.9-acre Lake Elizabeth, and more than a mile of walkways and bike paths. In addition, 74,000 square feet of retail, entertainment, and commercial space was built.

Fremont County

Employment in Fremont County grew 2.6 percent in 1999, and at a compound average annual rate of 4.9 percent between 1990 and 1999. Employment in Fremont County is dominated by the government sector, a result of the many prisons in the county. State government employs 16.0 percent of the work force in Fremont County, and 97.0 percent of state employees are employed directly by state prison facilities maintained in the county. Meanwhile, federal government employment grew at a compound average annual rate of 25.3 percent between 1990 and 1999, from 156 people in 1990 to 1,185 people in 1999. This growth is a result of three new federal prison facilities in Florence, all of which opened after 1990: an Administrative Maximum Federal Prison, the Federal Correction Complex, and a U.S. Penitentiary. Together, these prisons currently employ 989 people in Florence.

"Employment in Fremont County is dominated by the government sector, a result of the many prisons in the county."

Other major industries in Fremont County are those in which secondary jobs to the prison facilities occur: the retail trade sector employs 18.9 percent of the county's work force, while the services sector employs 21.9 percent. Although the construction sector employs a relatively small 5.8 percent of the work force, it grew at a very rapid compound average annual rate of 14.6 percent between 1990 and 1999. This is also a result of the new federal prison facilities in Florence. The county's average unemployment rate in 2000 was 2.9 percent, down from an average rate of 3.9 percent for 1998. Meanwhile, population grew at a compound average annual rate of 3.7 percent between 1990 and 1999.

Fremont and Pueblo counties are home to 45.6 percent of the state **prison** capacity maintained by the Colorado Department of Corrections. Three prisons, with a combined employment of 2,033 people, are located at Cañon City in Fremont County. They are the Colorado Women's Facility (294 beds), the Colorado Territorial Facility (695 beds), and the East Cañon Complex, which houses seven facilities with a combined capacity of 3,878 beds. Three prisons are located in Pueblo County: the Pueblo Minimum Security Center (256 beds), the San Carlos Correctional Facility (250 beds), and the Youthful Offender System (480 beds).

As noted previously in the Pueblo County section, two new cement plants are under construction in the Pueblo region. In Fremont County, Holnam Inc. is building a $200 million addition to its cement plant in Florence that will increase its capacity from 770,000 metric tons per year to 1.9 million metric tons per year. Holnam expects the addition to be complete in March 2001, and expects to hire between 10 and 15 people to staff it. Currently, 150 employees run the existing cement plant, while 200 construction workers are involved in building the new addition.

The Arkansas Headwaters Recreation Area runs through much of Fremont County. The nine-year-old area runs for 148 miles between Leadville and Pueblo Reservoir and includes more than 16,000 acres. The recreation area was visited by 700,418 people in FY 1999-00, up 1.2 percent from visitation in FY 1998-99. The Royal Gorge Bridge is another major tourist attraction in Fremont County. Owned and operated by Cañon City since 1929, 435,174 people visited the bridge in 2000, down 7.9 percent from visitation in 1999. Meanwhile, the Cañon City and Royal Gorge Railroad resumed passenger rail service in May 1999 through the 1,053-foot deep Royal Gorge west of Cañon City. The two-hour round trip covers 24 miles and is made in restored antique locomotives and passenger cars. The last passenger service through the Royal Gorge Route occurred in July 1967. About 75,000 people rode the Royal Gorge Railroad in 1999 and 2000, and officials there expect that number to increase to about 100,000 in 2001.

Custer County

"...the population of Custer County exploded in the 1990s…"

Custer County is located in the Wet Mountain Valley, nestled between the Sangre de Cristo Range and the Wet Mountains. Major towns in the county include Westcliffe, Silver Cliff, Rosita, and Wetmore. Custer County was the fourth-fastest growing county in the state between 1990 and 1999. According to the state demographer, the **population** of Custer County exploded in the 1990s, growing at a compound average annual rate of 7.2 percent, from 1,926 people in 1990 to 3,602 people in 1999. Meanwhile, population growth in the state of Colorado averaged only 2.6 percent during the same time period.

Much of the growth in Custer County is a result of individuals relocating to the county for retirement or merely to enjoy its natural amenities. The largest segment of Custer County's population is made up of people between the ages of 35 and 65, with 38.6 percent of the population, with another 12.4 percent of the population comprised of individuals above the age of 65. Employment in the county is dominated by industries that serve this population. In 1999, the retail trade sector employed 25.4 percent of the county's work force, while the construction and services sectors employed 16.0 percent and 14.5 percent, respectively. Employment in these industries also exploded between 1990 and 1999, mirroring the population explosion. Employment grew at a compound annual average rate of 14.4 percent in the retail trade sector, 12.9 percent in the construction sector, and 13.0 percent in the services sector. Indeed, the population between the ages of 20 and 34, the age group that is typically employed in these industries, grew faster than any other age group between 1990 and 1999. Comprising 22.1 percent of the county's population in 1999, this age group grew at a compound average annual rate of 12.1 percent between 1990 and 1999.

Overall, **employment** in Custer County grew at a compound average annual rate of 9.9 percent between 1990 and 1999. The county's unemployment rate averaged 2.8 percent in 2000, after averaging a low 2.4 percent in 1999 and 4.4 percent in 1998. Local government employs 25.5 percent of the county's work force, but has grown slower than total employment at an average rate of 6.5 percent during the same time period. Meanwhile, although hay farms and cattle ranches cover approximately one-third of the land in Custer County, only 2.2 percent of the county's work force is employed in **agriculture**.

According to the Custer County zoning office, a total of 267 building permits for **residential and nonresidential construction** were issued during 2000, up 2.3% from the number issued in 1999. Of these, 103 were new residences. Residences are dominated by single-family homes, which comprised 89 percent of the residences in the county in 1999. Meanwhile, approximately two-thirds of residential lots in the county are undeveloped. The average sales price for a single-family home is approximately $150,000, while per capita income in the county was $18,336 in 1998, 1.3 percent higher than in 1997 and 22.5 percent higher than in 1990.