

2014 Colorado Planning & Management Region Report

Region 4 – El Paso, Park and Teller Counties

INTRODUCTION

Region 4 consists of three counties; El Paso, Park, and Teller. Together, El Paso and Teller Counties comprise the Colorado Springs Metropolitan Statistical Area while Park County is the largest county by area in the Denver Metropolitan Statistical Area. Park County is the 17th most extensive county in the State of Colorado and is the geographic center of the state. Teller County is the 22nd most populous of the 64 counties in the State of Colorado and contains 557 square miles of land and 2 square miles of water. El Paso County contains slightly more than twice the land area of the state of Rhode Island and has the largest population of any county in Colorado. It is the 95th most populous county in the United States and the only county in Colorado in the top 100 for highest population.

The region has suffered from multiple natural disasters in the few years. The Waldo Canyon fire and the Black Forest fire combined destroying over 800 homes and over 30,000 acres of land. Following these disasters, floods downstream of the burned areas have also destroyed homes and businesses while also damaging roads and bridges.

The region experienced 5.06% population growth between 2010 and 2013. El Paso, the largest county, experienced 5.39% growth (a net population gain of 33,549), while both Park and Teller saw small declines.

| County | Census 2010 | July 2013 | % Change |
|-----------------|------------------|------------------|--------------|
| El Paso | 622,263 | 655,812 | 5.39% |
| Park | 16,206 | 16,192 | -0.09% |
| Teller | 23,350 | 23,278 | -0.31% |
| Colorado | 5,029,196 | 5,264,890 | 4.69% |

Source: State Demography Office

JOBS & THE ECONOMY

From 2001 to 2012, the total number of jobs in the region increased by 7.68%, from 325,052 to 350,006. The economy of the region is primarily driven by the military and defense spending. With more than 40,000 active duty service members, more than 73,000 family members and more than 100,000 veterans, the region's military community has had a significant economic impact on the region, contributing approximately \$6 billion—over one-third of the total pikes peak area regional economy. Military employment in the region in 2012 totaled just over 44,500.

The largest employers in Region 4 are military bases. Healthcare and Social Assistance, Tourism (service), and retail are the three largest economic sectors after military in the region.

The region's unemployment peaked in 2010, and started to decline afterwards, although some of this decline is likely due to people dropping out of the labor force. In response to these challenges, the Colorado Springs Economic Development Corporation and Greater Colorado Springs Chamber of Commerce have merged into the Colorado Springs Regional Business Alliance to bring a robust unified approach to growing the region's economy.

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Unemployment Rates by Year

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| El Paso | 2.9% | 4.2% | 6.1% | 6.3% | 5.8% | 5.4% | 4.6% | 4.3% | 5.6% | 8.8% | 9.8% | 9.5% | 9.3% | 8.0% |
| Park | 2.5% | 3.5% | 5.3% | 5.5% | 5.5% | 4.8% | 3.9% | 3.6% | 4.7% | 7.7% | 9.0% | 8.2% | 7.5% | 6.5% |
| Teller | 3.0% | 3.9% | 5.9% | 6.3% | 5.7% | 5.0% | 4.2% | 3.9% | 5.5% | 8.4% | 9.6% | 9.1% | 8.1% | 7.7% |
| Colorado | 2.7% | 3.8% | 5.7% | 6.1% | 5.6% | 5.1% | 4.3% | 3.8% | 4.8% | 8.1% | 9.0% | 8.6% | 8.0% | 6.8% |

Source: Bureau of Labor Statistics

According to Census Bureau’s latest annual report on national poverty rate for 2012, the official poverty rate in the U.S was 15%, which was statistically identical to the previous year but 2.5 percentage points higher than in 2007. The state of Colorado’s poverty rate was 12.5% during 2007-2011. Region 4 had lower poverty rate (11.4%) than the state and national level. During 2007-2011, El Paso had the highest poverty rate among the three counties in Region 4 (11.7%). In comparison, Park and Teller County’s poverty rates were 6.5% and 7.5% respectively.

The Census Bureau ACS 2008-2012 5-Year Data shows that Park County had the thirteenth highest (\$62,594) and Teller County had the nineteenth highest median household income (\$57,970) in the State of Colorado. El Paso ranked twenty-first among the counties with a median household income of \$57,531, slightly lower than the state median household income of \$58,244. The Census Bureau’s latest Current Population Reports showed that median household income for the U.S. in 2012 was \$53,046 (in 2012 dollars).

The outdoor recreation and a rural lifestyle in Park County are still attractive to second-home buyers. Park County’s employment, therefore, is dominated by the services and construction sectors, both of which are influenced by the second home building market and providing services to the individuals buying these homes.

Teller County is the home of the City of Cripple Creek, a historic mining town now home to casinos and tourist attractions. Teller County receives most of its income through gaming, tourist accommodation and food services, all part of the services economic sectors that have been very hard hit by the recession and slow recovery.

In El Paso County, the presence of the military creates almost as many jobs for civilians as it does for its active duty personnel. As such, defense jobs place a close third behind service and retail in El Paso County and the region. Although the military component has provided a stabilizing influence for the region during economic boom and bust cycles affecting other industry segments, the unemployment rate is still high. However, with approximately one-third of the regional economy directly dependent upon federal funds means that the Pikes Peak region is especially vulnerable to the looming threat of “sequestration.”

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The challenges facing the region include reduced tax collections to support government funding which have directly resulted in cutbacks to local services. The loss of the gaming impact fees has had a significant impact on Teller County.

HOUSING

It appears that the housing market has begun to stabilize and consumer willingness to purchase is increasing. The amount of inventory has improved (declined) and, although the number of homes for sale has been increasing, it is still at much lower levels than 2011. As long as the inventory levels remain at these levels (4 to 5 month supply) and sales remain steady, the market will continue to improve. As of 1st quarter 2012, Park County had the fifth highest (0.49%) and Teller County had the twelfth highest foreclosure rates (0.38%) in the state. El Paso County has reduced the foreclosure rate from 0.24% in 2009 to 0.18% in 2012. The vacancy rates in rental units in Colorado Springs have dropped from 6.4% during the first quarter of 2012 to 5.6% during the first quarter of 2013, according to the Colorado Division of Housing. Several new large multi-unit complexes have been developed. Providing temporary housing for the approximately 350 families that lost their homes and other families that have been displaced by the Waldo Canyon and Black Forest fires has further reduced both the number of rental and for sale houses in Colorado Springs. The region lacks affordable housing for low-income and elderly populations. Housing costs that exceed 30% of household income have traditionally been viewed as a housing affordability problem. Statewide, 48.2% of renting the population is paying 30% or more of household income for housing costs. The Center for Neighborhood Technology reports these ratios in their H+T Affordability Index; for the three counties El Paso, Park, and Teller the percent of the population spending more than 30% of their household income on housing are respectively 30.2%, 66.9%, and 26.4%.

AGRICULTURE

Due to the challenging terrain in the Pikes Peak region, agriculture consists primarily of limited grazing and hay production. While the number of farms has increased in recent years, the total acreage of the farms has decreased. In addition to land and water problems, farmers find it difficult to keep prices competitive while operating costs rise. To compensate for rising production prices, many small farmers have attempted to capitalize on the market for “organic-grown” produce.

CLEAN ENERGY

Momentum for investing in renewable and clean energy is gaining in the Pikes Peak region. Many organizations, businesses and individuals are pushing for more renewable energy and efficiency technologies for residential, commercial, and community buildings. Such projects will provide more stable and lower cost energy for citizens while contributing to the economic development in the region by creating new business and job opportunities.

A large producer of renewable energy plans on constructing a wind farm in northeast El Paso County, the construction is set to begin in the spring of 2015 and will generate energy by the end of 2015. This is expected to employ around 400 people and cost around \$400 million.

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The City of Colorado Springs City Council, acting as the Board of Directors for Colorado Springs Utilities, unanimously approved a new rate structure that will allow community solar gardens in which residents buy a share of a large solar project rather than installing their own panels. This allows for any residential or educational institution, within the Colorado Springs Utilities territory, to own solar panels, produce clean energy and reap the benefits on their electric bills regardless of income level. The first community garden solar array consists of 2,500 solar panels on 2 1/2 acres. It is the largest project of its kind in the country and sold out in less than one year. Additional solar garden cooperatives are underway in the region, including a 43-acre brownfield site. The Templeton Gap Landfill is currently being converted into a renewable energy park that will deliver power to over 250 Colorado Springs Utilities customers. In August 2013, the city council agreed to expand the solar garden program by 2 megawatts of energy. The cost would be \$4.9 million over 20 years.

Colorado Springs currently relies primarily on coal, providing close to 70% of the city's electricity. While there have been advances in cleaner coal technology, heated debate is currently underway as to the fate of the Martin Drake coal-fired power plant located in downtown Colorado Springs. The Martin Drake Power Plant provides around a third of the power for the region. In May 2014 the power plant caught fire and power had to be rerouted from other power plants to serve the region. Included in these discussions are prospects of retiring the plant or converting it to gas. At stake is providing the cheapest power possible vs. a greener and cleaner city sky. Upgrading the plant will cost around \$350 million. Even with a new emissions-scrubbing technology that would save close to \$100 million, the plant will probably have to be retired in a decade. A study is being conducted on the plant's fate, taking into consideration new technologies and economic development. The region's utility companies are also making strides to diversify their energy portfolios to include clean and renewable energy sources. Fountain Utilities, serving an area 6-miles south of Colorado Springs, has 20% of its electricity portfolio from renewable sources and is incorporating smart grid technologies as a part of the American Recovery and Reinvestment Act. Colorado Springs Utilities (CSU), a municipally-owned utility company serving over 600,000 metered customers, has goals of generating 20% renewable energy by 2020, cutting average electric consumption by 10% and maintaining a 20% cost advantage over nearby utilities. CSU plans to achieve this proposed renewable energy goal with 20 megawatts (MW) of woody biomass (wood pulp from beetle-kill pine), 35.4 MW of hydroelectric, increased solar and wind generation and other potential renewable sources and technologies.

MILITARY

In July 2013 Fort Carson became the duty station to a new Combat Aviation Brigade which includes up to 2,700 personnel and 113 aircrafts. All the construction to accommodate the brigade is expected to take four years and cost a total of about \$730 million. The first on-post construction has begun with funding of the \$11 million aviation control tower, a \$45 million aircraft hangar, and \$98 million to build barracks for the brigade. On 25 June 2013, the US Army released its decision regarding the Programmatic Environmental Assessment for Army 2020 Force Structure Realignment to reduce total troop strength from 562,000 to 490,000. As part of this decision, the Army announced that Fort Carson's 4th Infantry Division would be reduced to three brigade combat teams (BCTs) by 2019, by inactivating the 3rd BCT. The three remaining BCTs will be realigned, and approximately 3,000 of the 3,750 Soldiers of the 3rd

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BCT will be re-assigned to the remaining BCTs. Therefore, the Army projects that Fort Carson troop population will increase by approximately 1,800 Soldiers between now and 2019 because of the reorganization of the BCTs and the ongoing activation of a combat aviation brigade.

The Department of Veterans Affairs has opened a new clinic to expand services to the increasing number of veterans in the Colorado Springs area. The clinic replaced two existing clinics and be able to serve up to 6,000 additional veterans. The clinic construction cost about \$10,000,000 and the facility will be rented by the Department of Veterans affairs for about \$3,000,000 a year.

WALDO CANYON FIRE

The Waldo Canyon wildfire began burning on June 23, 2012 and was declared officially contained July 10, 2012. The fire forced the evacuation of more than 32,000 people, consumed 18,247 acres, destroyed 346 homes, and killed two people. At the end of September 2012 the total cost of fighting the fire and rehabilitating the land was over \$21 million. The destroyed homes were valued at more than \$110 million but this does not include the repair cost of damaged homes, loss of possessions, displacement costs or rebuilding destroyed home at current costs. Total losses from the fire exceed \$350 million. The impact of this fire was immediate; the City of Colorado Springs' sales tax report for July showed that the Lodger's and Automobile Rental Tax collections were down 16.41%, and that includes some support from the families that had lost or had damaged houses staying in hotels. The total loss to small businesses has been estimated to be approximately \$9 million. The Colorado Springs Convention and Visitors Bureau was recently awarded two grants in response to the fire — one from the U.S. Department of Commerce's Economic Development Administration for \$100,000 and one from the Colorado Tourism Office for \$10,000 to increase tourism and promote the region.

BLACK FOREST FIRE

The Black Forest Fire began on June 11, 2013 and was 100 percent contained after burning 16,000 acres in nine days. The state's most destructive wildfire, the Black Forest Fire destroyed more homes than the Waldo Canyon Fire. 486 homes were destroyed, 37 homes were partially damaged, and two people had died. Thousands of people were prompted to flee. The Black Forest Fire caused more than \$85 million in damage, and cost for fighting the fire was estimated at \$9,323,955. The cause of the fire is still under investigation.