

2015 Colorado Planning & Management Region Report

Region 8 – Alamosa, Conejos, Costilla, Mineral, Rio Grande and Saguache Counties

INTRODUCTION

The San Luis Valley in South-central Colorado is the largest alpine valley in North America, bordered on the east by the Sangre de Cristo Mountains and to the west by the San Juan Mountains that mark the Continental Divide. It is about 122 miles long from north to south, and about 74 miles across, covering an area of 8,193 square miles and is home to the Great Sand Dunes National Park and Preserve.

Within its borders, the Valley holds a great diversity of natural and cultural settings. Canals and ditches from the Rio Grande and the Conejos River supply one of Colorado's most important farming areas, famous for potatoes, beer barley, alfalfa, and other crops. Agriculture continues to be the cornerstone of the region's economy.

Region 8 saw a slight population decrease between 2010 and 2014 of 176, or -0.38%. Alamosa, Costilla and Saguache counties saw the only population growth in the region.

Population:

County	Census 2010	July 2014	% Change
Alamosa	15,445	15,870	2.56%
Conejos	8,256	8,229	-0.64%
Costilla	3,524	3,556	0.68%
Mineral	712	697	-1.13%
Rio Grande	11,982	11,574	-3.56%
Saguache	6,389	6,206	1.01%
Colorado	5,029,196	5,353,471	6.45%

With the Valley's natural and cultural attractions, tourism is a major attraction with about 300,000 visitors annually. Surrounded by the Rio Grande National Forest on three sides, the valley holds many opportunities for outdoor recreation, to include camping, hiking, hunting, fishing, and recreational vehicles. The Valley is quickly becoming known for watchable wildlife including birds, elk, deer, and mountain goats.

Two scenic trains in the San Luis Valley, the Rio Grande Scenic Railroad and the Cumbres and Toltec Scenic Railroad, provide unique views of the region for families and rail buffs. Creede, in Mineral County, is home to the award-winning Creede Repertory Theater.

The Sangre de Cristo National Heritage Area includes parts of Alamosa, Conejos and Costilla counties and presents the valley as a crossroads of Native American, Hispanic and Anglo cultures with over 20 cultural properties listed on the National Register of Historic Places including historic Fort Garland and San Luis, the oldest town in Colorado.

JOBS & THE ECONOMY

Unemployment in the valley continues to trend near or above the state average, with the exception of Mineral County. The entire region saw a drop in unemployment between August 2014 and August 2015.

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Unemployment Rates

County	August 2014	August 2015	% Change
Alamosa	6.4%	5.1%	-1.3%
Conejos	6.8%	5.3%	-1.5%
Costilla	8.1%	5.8%	-2.3%
Mineral	3.1%	2.8%	-0.3%
Rio Grande	8.1%	6.1%	-2.0%
Saguache	9.1%	7.1%	-2.0%
Colorado	4.6%	3.8%	-0.8%

Source: Labor Market Information

Residential construction in the region has yet to fully rebound from the Great Recession. Residential and second home construction remains very sluggish throughout the region.

Slumping silver prices have halted exploration for silver and other minerals in the historic Creede mining district. However, the Rio Grande Silver project, owned by Hecla Mining Company, is still considered a viable project and the company is moving forward with permitting necessary to pursue further exploration in anticipation of a recovery in silver prices. Mining ended in Creede in 1985.

HOUSING

Foreclosures

Foreclosure filings in Region 8 dropped 25 percent from 2012 to 2013 indicating a healthier economy.

Region 8 Foreclosure Filings

County	2013 Filings	2014 Filings	% Change	2013 Sales	2014 Sales	% Change
Alamosa	40	31	-22.8	14	25	78.6
Conejos	16	6	-62.5	12	13	-48.0
Costilla	15	9	-40.0	3	3	-75.0
Mineral	4	4	0	1	1	0.0
Rio Grande	45	32	-28.9	35	19	45.7
Saguache	21	12	-42.9	20	9	-55.0
Region 8	141	94	-33.3	85	70	-17.6

Source: Colorado Division of Housing

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Building Permits

According to the Census, permits for new residential construction continue to lag behind 2007 for the region overall, although Costilla County has seen a 43% increase over the same period .

Region 8 Estimated Residential Building Permits

County	2007	2012	2013	2014
Alamosa	57	60	70	52
Conejos	30	13	15	13
Costilla	18	22	27	30
Mineral	21	8	14	6
Rio Grande	51	15	12	12
Saguache	65	32	35	32
Region 8	242	150	173	145

Source: U.S. Census Building Permit Survey, Estimates with Imputed Values

AGRICULTURE

Agriculture is the driving force in the San Luis Valley, accounting for over 30 percent of region's base economy. The primary crops produced are potatoes, alfalfa and barley as well as cattle.

Irrigation

Critical to the viability of agriculture as the major economic contributor to the Valley's regional economy is the use of surface and ground water for irrigation. In 2011 alone, the estimated production value of the Valley's top three crops – potatoes, alfalfa and barley – was nearly \$372 million. Potatoes and barley, particularly, rely upon groundwater irrigation from the Valley's 6,000 high capacity wells, which tap underground aquifers. The aquifers depend on recharge from a natural system, as well as leakage from ditches and canals located throughout the Valley.

However, drought conditions in the last decade have reduced the recharge that occurs with natural runoff, and have reduced the diversions from the Rio Grande that provides additional recharge. Drought, coupled with increased groundwater use, has led to a decline in levels of the aquifers, a condition that will only worsen unless total consumption of groundwater is reduced.

In the coming months, the Colorado Division of Water Resources will promulgate new Rules Governing the Withdrawal of Ground Water in Water Division No. 3. As now proposed, when the rules become effective, groundwater withdrawals from non-exempt wells can only occur if injurious depletions caused by the withdrawal are remedied and the aquifers are sustainable. One way to remedy those depletions is to participate in a recognized sub-district (also known as a special improvement district) with a state- and court-approved groundwater management plan. Well owners outside of a sub-district will have to obtain an augmentation plan if it is determined their wells are responsible for depletions from area streams and rivers otherwise, the wells will have to be shut off. It is estimated over 60,000 acres of farmland, irrigated by wells, may have to be fallowed in the San Luis Valley to create a hydrologic balance.

The San Luis Valley Council of Governments and San Luis Valley Extension have initiated and economic impact analysis of the effects of reduced crop production due to reduced pumped irrigation on the

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region's economy. Work on the study began spring 2015 and is expected to be completed the first quarter of 2016 with released and publication of the results before June 2016. The study is being conducted by Drs. James Pritchett and Rebecca Hill at Colorado State University.

Ag Prices

- Potato harvest begins September with prices in the range of \$ 5.50 to \$7.00 per 5 10lb. bale, depending on quality and grade. Prices are similar to last year.
- Alfalfa continues to be a reliable crop for valley farmers. Alfalfa from the valley is considered top quality hay in demand by dairies in Texas and New Mexico and fetches premium prices. Current prices are around \$180-220/T for premium quality hay, lower than last year.
- Molson Coors brewing company contracts with many farmers in the valley to grow barley used to make Coors beer. Over 75% of the barley grown in Colorado comes from the San Luis Valley and over 80% of that is used by Coors. Barley prices in September 2015 were around \$9/cwt.
- Niche operations are getting a start using locally grown products. These include custom malted barley for micro-brewers, hops, custom hay/grass packaging for small animals, goat cheese and other products.

CLEAN ENERGY

A fifth utility-scale solar electric generation plant is to be built in Alamosa County next year. SunPower plans to build a 49.5 mega-watt solar plant and sell the power to Xcel Energy. This will bring solar electric production in the Valley to around 135 MW, making the region one of the country's major producers of solar electricity. All the plants sell power to Xcel Energy under power purchase agreements. Permanent jobs at the plants range from two to ten.

An additional plant proposed by First Solar has been permitted by Alamosa County that will produce around 30 MW, but construction has yet to begin.

There are two applications pending with the county, one is an addition of 50 MW to Iberdrola's 30 MW San Luis Solar, and the other proposed is a new 75 MW by Invenergy.

Below is a listing of the utility-scale solar plants in Region 8:

- Alamosa Solar Farm (SunEdison) – 6.2 MW AC, 8.22 DC: Built in 2007 by SunEdison, this facility uses single axis tracking arrays, fixed mount arrays, and dual axis tracking arrays with photovoltaic concentrating technology.
- Greater Sandhill Solar Farm (SunPower) – 19 MW AC, 20 MW DC: SunPower designed and built Greater Sandhill in 2010 using SunPower T20 Tracker and SunPower PV modules that generate 30% more energy per land area than other technologies.
- San Luis Solar Ranch (Iberdrola Renewables) – 30 MW AC, 35 MW DC: Iberdrola used single axis trackers and SunPower flat panel PV modules for this project, which produces power for around 7,500 homes.

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- Alamosa Solar Generation Project (Cogentrix Energy) – 30 MW AC, 35 MW DC: Congentrix began operation of the plant in May 2012. It is the largest concentrating photovoltaic electric power plant in the world. The plant consists of over 500 dual-axis, pedestal-mounted trackers.

ADAMS STATE UNIVERSITY

Adams State is a significant economic driver in the San Luis Valley providing over \$50M in direct spending in the region with an estimated economic impact of \$86.6M.

In 2011, Adams State completed \$62M in campus improvements including a new student apartment/football stadium complex, renovation of the music building and a large classroom building, and expanded campus parking. In 2012, another \$12.7M in additions and renovations was done.

A \$16.9M renovation is underway on historic Richardson Hall, built in 1925 and which, at one time, housed all of the school's classrooms, offices, library and auditorium.