

# Four Corners Economic Quarterly

## 2007Q2

Office of Business and Economic Research, School of Business  
Fort Lewis College, Durango Colorado

### Table of Contents

- Quality of Life?  
By Luke Miller
- Land Swaps: Bad Economics  
by Dr. Robert J. Sonora
- County Economy Off To Good Start  
By Dr. Deborah Walker

- which only 10% of all business schools in the world have attained.
- Cortez is one of the most diverse economies in the region supported by agriculture and tourism, plus it has one of the highest homeownership rates (nearly 60%) in the state.
- Pagosa Springs, Dove Creek, and Silverton have some of the highest air quality ratings in the country, and a high percentage of entrepreneurs working from their homes (more than twice the state average).
- Job growth in our local region (averaging 6%) exceeds Denver and most resort-destination communities in Colorado.

### Quality of Life?

**By: Luke Miller**

Many in Durango take advantage of multiple (and many times simultaneous) seasonal employment opportunities working late evening shifts and weekends. Families in the region creatively balance their time between work, play, and child schedules maximizing daylight hours. Why do we do it? For many, it is a search for the intangible quality of life.

Is quality of life quantifiable? Probably not; however, as a financial analyst and statistician, I couldn't prevent myself from tracking down some of the routine and esoteric facts about the region we call home. In Region 9, the five cities/towns of Durango, Cortez, Pagosa Springs, Dove Creek, and Silverton, were evaluated and compared with other Colorado communities. Consider some of the following key points:

“U.S. natural gas markets have undergone a remarkable transformation in recent years. After decades of rigid regulation, the natural gas industry is now free to compete on the wholesale level ... The result has been a substantial increase in the production of natural gas...”

- Considering the plethora of outdoor and cultural activities found in the local area, these Region 9 towns are some of the least expensive 'resort-like' communities in the state. With a median home value-to-median income level ratio less than Denver and more than half that of Telluride, Boulder, Vail, and Steamboat Springs, the region sports a sizeable cost-of-living advantage.
- Weather, weather, weather; the region boasts San Diego-like weather 8 months out of the year, with more sunny days than Southern California (275 days), plus a little powder to ease the transition between fall and spring seasons.
- Durango has one of the most educated populations (nearly 30% have at least a Bachelor's degree), youngest (median age 29), most employed (unemployment 3.9%), and best public school systems (as measured by standardized third and tenth grade examinations) in the state.
- Durango is home to Fort Lewis College whose School of Business Administration is one of only four institutions its size in the United States to receive AACSB accreditation, of

For a more detailed perspective of Region 9 and its relation to Colorado and the nation, please reference the following tables. Detailed information from the US Census Bureau, US Bureau of Labor Statistics, National Association of Realtors, US Department of Health, National Climatic Data Center, and Colorado Department of Education have been compiled to provide a demographic and economic picture of the region in comparison to Denver and other Colorado communities.

	Durango	Cortez	Pagosa Springs	Dove Creek	Silverton
<b>People</b>					
Population <sup>a</sup>	15,501	8,246	1,823	683	541
White	84%	74%	57%	91%	89%
Hispanic	10%	13%	37%	4%	9%
Native American	3%	7%	3%	4%	1%
Median Age	29	36	36	38	46
People per Household	2.2	2.3	2.4	2.42	
Currently Married	39%	54%	50%	60%	51%
Married with Children	14%	21%	21%	21%	13%
Single with Children	8%	11%	12%	10%	11%
4-yr College Degree	28%	12%	11%	8%	26%
Work from Home	7%	4%	5%	2%	12%
Median Household Income <sup>b</sup>	40,900	33,567	34,375	32,078	35,561
Unemployment Rate	3.90%	5.50%	4.20%	6.70%	10.80%
Job Growth	3.10%	4.10%	2.80%	5.40%	15%
<b>Homes</b>					
Median Home Value <sup>c</sup>	388,250	187,929	199,547	116,023	264,702
Median Age of Home	37	30	27	35	63
Homeowners	49%	59%	50%	65%	41%
Median Home/Median Income	9.49	5.6	5.81	3.62	7.44
<b>Environment</b>					
Air Quality <sup>d</sup>	59	70	89	94	100

Water Quality	60	54	40	60	77
Days of Precipitation <sup>a</sup>	70	74	66	73	72
Days Mostly Sunny	266	240	287	243	250
Summer Temperature	83	86	81	83	68
Fall Temperature	66	67	63	61	52
Winter Temperature	44	43	41	38	33
Spring Temperature	63	62	59	59	47
<b>Education</b>					
3rd Grade Math <sup>f</sup>	31%H	27%L	12%L	13%H	N/A
3rd Grade Reading	29%H	27%L	11%H	23%L	N/A
10th Grade Math	10%H	48%L	19%L	29%L	N/A
10th Grade Reading	13%H	2%L	6%H	4%L	N/A

**Notes:**

- a - US Census Bureau
- b - US Bureau of Labor Statistics
- c - National Association of Realtors
- d - US Department of Health
- e - National Climatic Data Center
- f - Colorado Department of Education;
- H** refers to higher than the state average and **L** refers to lower than the state average

an additional eight acres of wetlands; maintains wildlife corridors; and provides fire and beetle protection.

But the social costs are what must seriously considered. Loss of recreation, increased air and water pollution, congestion, degraded road conditions, higher prices for now more scarce construction services and materials, more roads, loss of water rights – the tension between farmers and cities and ranchers now includes golf courses, which use an estimated 4 billion gallons of water a day nationwide - exacerbated by the West’s return to drought conditions.

And though golf courses have cleaned up their act they still have an enormous environmental impact – lost biodiversity, pesticides and fertilizers, soil erosion, and have a negative impact local flora and fauna. Moreover, the chances for more human – bear/mountain lion contact will probably come at the expense of said bear/mountain lion population.

The difficulties increase when we attempt to quantify these costs and benefits over time, and what if the costs aren’t realized until many years in the future? There is no long term science which states that the greener technologies implemented today are necessarily better than their petroleum based counterparts.

And much development has been done without sufficiently weighing the long term costs of doing actions. If the costs are huge but don’t impact us for another 100 years, what’s the harm of doing these actions today? Especially if they don’t directly impact the developer but rather are dispersed among the local economy as a whole

Moreover, while future benefits are relatively easy to quantify future costs entail a lot of unforeseen and unexpected costs. The level of uncertainty is described in terms of probabilities and statistical distribution assumptions which can be changed.

For better or worse, we quantify the value of all things in terms of a price, money. How much are users of the proposed Hermosa Land Exchange willing to pay to not have it swapped? Alternatively, how much is Glacier Club willing to pay recreational users and others to turn it into a private golf course?

The market solution breaks down when there is a divergence between private and social cost-benefits which, in this case, creates under pricing and, hence, over production. In this setting the market cannot accurately measure the “fair market value” to which the Forest Service must abide.

**County Economy Off To Good Start**

**By: Dr. Deborah Walker**

Most of La Plata County’s economic indicators shows that the local economy got off to a good start this year. The county’s unemployment rate in January was 3.5%, down from 4.2% a year earlier. The most recent unemployment rate (May 2007) stands at 2.4%, also down from 3.2% in May of 2006. These rates are very low and constitute a situation of “full employment.”

Tourism indicators for the first quarter of 2007 were relatively strong. More passengers used the Durango–La Plata County Airport in the first quarter of this year when compared to the same quarter last year (a 14.2% increase). The Durango-Silverton Railroad accommodated a few more riders over the first quarter of last year, up 0.5%. About 11.8% more visitors entered Mesa Verde in the first

**Land Swaps: Bad Economics**

**by Dr. Robert J. Sonora**

Any economic decision involves gains and losses which accrue to a variety of players and at various points in time. The problem is difficult enough when confined to a single entity, a firm, a household, an institution. Involve the pros and cons across a wide variety of economic agents and the impacts of the decision increase exponentially.

But, what are the benefits? To whom do they accrue? What are the costs and to whom do they accrue? And when? The proposed land swap at Tamarron presents us with all of these questions and the tension versus private and social costs and benefits.

“The market solution breaks down when there is a divergence between private and social cost-benefits which, in this case, creates under pricing and, hence, over production. In this setting the market cannot accurately measure the “fair market value” to which the Forest Service must abide.”

The basic tool for this is “cost – benefit” analysis. What are the costs of a decision weighed against its benefits? If the net benefit is positive, do it, otherwise don’t. The math seems simple enough.

Let’s begin with the tension between private and social costs and benefits. Private benefits are easiest to identify – developer and investor profits, “discriminating” buyers get to play golf and enjoy the scenic vistas, increased income for the construction sector, etc.

Private costs include the costs of production, utilities, the price of buying a membership/second home, and the costs of transportation, among others.

Social benefits can be identified via increased county tax receipts, and potentially higher real estate values for home owners. Though golf courses are notoriously un-green, this one purports to disturb less than 1/3 of the site’s wetlands while adding

quarter of this year when compared to the first quarter of 2006. Lodger's tax revenue, however, didn't follow trend. It was down 8.4% when adjusting for inflation, or down 6.2% when not adjusting for inflation.

Another important indicator of tourism, as well as of population growth, is retail sales. La Plata County's retail sales increased by 12.4% over the first quarter of 2006 (not adjusting for inflation). When adjusting for inflation, the increase is 9.7%. Installation of new residential electric meters in the County is also a good indicator of population growth. The first quarter of 2007 saw an increase of 2.6% over the same time period in 2006.

Employment growth turned around, coming out of a modest slowdown

"Most of La Plata County's economic indicators shows that the local economy got off to a good start this year. The county's unemployment rate in January was 3.5%, down from 4.2% a year earlier."

by increasing 9.3% the first quarter of this year as compared to the same time in 2006. Industries which have seen growth in employment over the past few years have been local government, construction and information.

Agriculture still remains an important contributor to the local economy. Unadjusted average alfalfa hay prices increased 19.4% over the first quarter of last year (or 16.6% when adjusted for inflation). First quarter calf prices fell (compared to the first quarter of 2006) by 15.4% (not adjusted

for inflation, or 17.4% when adjusted). Industrial kilowatt hours used in the County decreased slightly from quarter to quarter (by 5%). Energy prices can be very volatile, especially from quarter to quarter. The first quarter of 2007 showed a decline in the energy price index by 10.1% (adjusted for inflation) when compared to the first quarter of 2006.

Residential real estate prices continued to flatten out a bit – increasing by 0.07% over the first quarter of 2006 (not adjusting for inflation). When inflation is considered, prices decreased by about 2.3%. Fort Lewis enrollment decreased slightly (by about 3.4%) from the winter trimester of 2006 to the winter trimester of 2007.



The *Four Corners Economic Quarterly* is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration and Region 9 Development District of Southwest Colorado, Inc.

For contact information:

Dr. Luke Miller, Director  
Email: Miller\_L@fortlewis.edu  
Phone: (970) 247-7060

Dr. Robert (Tino) Sonora, Director  
E-mail: sonora\_t@fortlewis.edu  
Phone: (970) 247-7296

Office of Economic Analysis & Business Research  
School of Business Administration

Fort Lewis College  
1000 Rim Drive  
Durango, Colorado 81301

Web Address: [www2.fortlewis.edu/ober](http://www2.fortlewis.edu/ober)

Region 9 Economic Development District of Southwest CO, Inc.  
(970) 247-9621  
[www.scan.org](http://www.scan.org)