

VI. ANALYSIS OF DEVELOPMENT PROBLEMS AND OPPORTUNITIES

A. Regional Assets and Strengths

The following examples are cited as economic development strengths in the region's human and economic resource base:

1. Natural Resources and Physical Setting

- High altitude, with most towns located above 7,500 ft. leading to cooler summers.
- Wetlands, performing a wildlife function and natural cleansing of surface water.
- Big game animals, trout, bird diversity, and hiking trails.
- Mountain scenery and wildlife.
- Timber.
- Over two million acres of public lands and access.
- Except for subzero nighttime temperatures in winter months, climate is usually moderate without tornados and blizzards.
- Known as a national center for days of sunshine, dry climate, and sun exposure.
- Mineral resources such as gold and silver.

2. Water Resources

- Extensive (but variable) surface and groundwater water resources including the Rio Grande and Conejos rivers and tributaries, lakes and reservoirs, mountain snow pack, and forest protection of watersheds.
- A Closed Basin project in the central Valley pumps water from a non-tributary vault and provides for some level of backup to meet Rio Grande Compact obligations.
- Extensive canals and water conveyance systems, pivot sprinkler systems, and acequia irrigation in some locations.
- Except in low spots in the central Valley, water is generally very high in quality.

3. Agriculture

- The Valley is the second largest producer of fresh potatoes in the U.S., and fifth largest producers of potatoes, overall.
- Bumper crops of beer barley, spring wheat, alfalfa, natural hay, lettuce, spinach, carrots, canola, and other crops, and sizable herds of beef cattle, sheep, and other farm animals
- Extensive warehousing, packing, and shipping operations.
- High quality and high concentrations of protein and anti-oxidant properties in crops and livestock grown at higher altitude.
- Better location for seed crops, with relatively fewer plant diseases and insect pests.
- Strong marketing cooperatives, such as the Colorado Potato Administrative Committee.
- Presence of non-traditional forms of agriculture such as fish farms at geothermal sites, hydroponic tomatoes and other vegetables, quinoa, and others.
- The ag waste treatment facility in Center was uniquely designed to support value-added processing operations.
- Hard-working qualities in farm labor force.

4. Heritage, History, Culture

- Surrounded by a ring of 14,000 ft. peaks and presence of Hispanic culture, the Valley holds a strong identity, both physically and culturally.
- Historic sites distributed across the region.
- Blend of many ancestries and faiths.
- Creation of the Sangre de Cristo National Heritage Area in Alamosa, Conejos, and Costilla counties.

5. Extensive Public Lands

- Over 2.0 million acres in public land ownership provides protection of watersheds, grazing land, timber, and a diverse range of outdoor recreation activities including sightseeing, camping, wildlife viewing, hiking, skiing, rafting, fishing, canoeing, hunting, rock climbing, snowmobiling, foraging, firewood gathering, nature study, and other activities.
- Major areas and management agencies include: Great Sand Dunes National Park and Preserve (National Park Service); Rio Grande National Forest (U.S. Forest Service); Bureau of Land Management (BLM); Alamosa, Baca, and Monte Vista National Wildlife Refuges (U.S. Fish & Wildlife Service); and many State Wildlife and Fishing Areas managed by the Colorado Division of Parks and Wildlife. Wilderness Areas are also included in parts of the Forest Service lands.

6. The Nature Conservancy

- Presence as a major landowner in the Valley and Medano-Zapata buffalo ranch operation.
- Provides buffer lands to the Sand Dunes Park, and can offer nature workshops and conference facilities.

7. Tourist Attractions (in addition to Heritage)

- Los Caminos Antiguos and Scenic Thread Byways.
- Colorado Gators.
- Cumbres & Toltec tourist train to Chama, New Mexico, and San Luis & Rio Grande Railroad passenger service to La Veta.
- Wide range of outdoor recreation activities, such as hunting, fishing, hiking, rock climbing, and wildlife viewing.

8. College and Post-Secondary Educational Institutions

- Adams State University, a four-year institution with graduate programs, and Trinidad State Junior College Valley Campus with two-year degrees.

9. Non-Metro Lifestyles

- Less crowded and generally slower-paced.
- Rural lifestyles are attractive to families with children.

11. Highway Systems

- US 160 east/west, and US 285 north/south.

12. Railroads

- San Luis & Rio Grande and San Luis Central provide freight service.
- Narrow-gauge track on Cumbres & Toltec.
- Idle track from South Fork to Creede.

13. Regional Airport

- SLV Regional Airport in Alamosa has commercial air service to Denver International.

- Monte Vista has next largest airport, and smaller airports are in locations across the region.

14. Hospitals and Clinics

- SLV Regional Medical Center in Alamosa is the largest hospital and is continuing to expand services and specialists
- Rio Grande Hospital in Del Norte serves west end of the Valley
- Conejos County Hospital in La Jara has assisted living attached

15. Lower Cost of Living

- When compared with most parts of Colorado, living costs are lower in the Valley.

16. Influx of Retirees and Second-Home Owners

- Retirees and second-home owners bring new sources of base income to the region.
- Most of this growth is evident in South Fork, Mineral County, Conejos Canyon, and the Baca Crestone area in northern Saguache County.

17. Wolf Creek Ski Area

- Seven lifts, including the new Treasure Stoke, provide access to 1,600 acres of skiable acres.
- The proposed Village at Wolf Creek with over 2,000 condo units and as many as 10,000 people represents a major prospect for South Fork, Del Norte, and Creede.

18. Arts and Crafts

- The Valley has a high per capita of artists and craft persons, and offers a more affordable cost-of-living than Taos and Santa Fe, in New Mexico, and other places.

19. Affordability of Land and Housing

- With exception of South Fork, land for housing and business development is generally less expensive.

20. Regional Cooperation

- While each county has its unique differences and diverse population characteristics, the Valley is known for its ability to coalesce and act in the interest of region on issues involving the threat of water export, E-911, and others.

21. Non-Profits

- In addition to private business, non-profit organizations and programs represent a major economic activity.

B. Problems and Weaknesses in the Regional Makeup

The following are examples of weaknesses in the regional makeup of human and economic assets:

1. Location Off the Mainstream

- Distance from four-lane highways and major population centers place the Valley at a disadvantage when competing for business expansions and relocations.
- Mountain passes into the Valley are not the deterrent for travel they once were, but still present problems in bad weather and road conditions.
- Air and bus travel into the Valley is expensive and limited.

2. Workforce Skills

- In general, workforce skills are limited and not prepared for jobs in technical and emerging industry fields.
- Relatively lower levels of academic achievement than Colorado in most public schools.
- Few opportunities within the labor force system to upgrade skills and income.

3. Youth Out-migration

- Graduating students with the highest achievement levels are leaving the Valley to find better jobs, further weakening the workforce capability to meet new demands.

4. Limited Tax Base

- A high mix of Federal land ownership limits the local government tax base, and ability to provide infrastructure and service upgrades beyond the basics.
- The PILT program provides some partial relief to the counties affected, but does not receive full funding.

5. Limitations in Transportation Infrastructure

- Roads in the region need improvement.
- US 160 receives heavy seasonal traffic, with more passing lanes needed west of Alamosa.

6. Public and Job Commuter Transit Services are Limited or Unavailable

- Job commuter and general public transit is not available in most communities.
- The lack of a functioning transit system for the workforce may be seen as a deterrent to development in the Valley.

7. Limited Retail Selection and Sales Leakage

- In general, the population and income levels in the Valley cannot sustain more than a limited selection of retail outlets, which are unable to deter sales leakage from the region.
- Alamosa holds the highest concentration of retail and service activity, such as Wal-Mart, supermarkets, and medical services, and subsequently receives the largest portion of sales tax revenue.

8. Low Wages and Discretionary Spending Limitations

- Wages and per capita income in the Valley counties are generally the lowest (or among the lowest) in the state, which limits discretionary spending power to support business expansion.
- Lower income generally requires a greater number of social services, which places a greater burden on local governments to pay for these services.

9. Telecommunications Infrastructure and Services

- Services have improved, but still considered limited by larger business operations.

10. Timber Sales Difficult

- Extensive supplies of drought- and beetle-damaged timber on the forest is being opened to harvest, but timber sales are too large for small contractors to bid and in areas with difficult access.

11. Electrical Transmission Lines Inadequate

- The Valley setting is perfect for solar production of electrical energy, but existing transmission

lines are inadequate for large-scale delivery to the grid and there are few buyers for utility-scale power.

12. Natural Gas Supply Inadequate for Ag Processing Expansion

- The existing gas pipeline to the Town of Center is too small to supply the extra energy needed for plant expansion.
- Expansion would have to be done mainly through public financing sources with complicated ownership and leasing arrangements.

13. Wildfire Hazard

- Wildfire danger has increased in recent years due to drought, greater numbers of visitors, and expansion of seasonal and second home construction in wooded areas.

14. Cutbacks in Ag Production

- In order to be more in line with permanent reductions in water supply, farmers cut back the acreage farmed.

C. Development Opportunities

The following were identified as offering the greatest opportunities for development based on the region's diverse range of assets:

1. Renewable Energy Production

- National emphasis on renewables, high gas costs, climate change/global warming, need for clean energy.
- Solar energy production, based on sunshine, vacant land, dry climate, high altitude.
- Biodiesel, based on ability to grow canola for blending oil.
- Wood pellet manufacturing and use as fuel for central heating systems and residential heating.
- Cellulosic ethanol, using wheat straw, hull-less barley, or other local crop.
- Geothermal, adapted for aquaculture and hydroponic vegetable operations.
- As more operations come on line, consider a Renewable Energy Academy for the Valley.

2. Value-Added Ag Products

- High-end starches, such as pharmaceutical-grade starch.
- Packaging made from potatoes as an alternative to plastic.
- Niche markets.
- Localize food distribution, such as Valley-grown products to schools, institutions, colleges, restaurants.
- Organic crops.
- Byproducts of value-added processing, such as distillers dried grains.
- Novel varieties of potatoes.
- Barley malting.
- Carrot juice and beta carotene.
- Anti-oxidant properties in Valley crops.
- As more operations come on line, consider an Ag Research Institute for the Valley.

3. Larger Gas Pipeline

- The pipeline would enable processing plants to expand; create a redundant power loop to meet peak load demand for the plant, town, and entire length of pipeline corridor; and provide for future growth of the value-added industry and Center agricultural complex.

4. Value-Added/Renewable Energy Park

- Decision to pursue this further would provide opportunity to make a showcase project of showing how to combine a renewable energy power source in value-added production.

5. Tourism Opportunities (examples excluding railroads)

- Tourist attractions in the Valley are widespread, and almost any community can improve on marketing their attractions, and capturing more tourists spending by providing more services.
- Tourist, trucker, and business traveler traffic on US 160 is increasing, and always represents opportunity to develop more services to increase the capture rate.
- The Great Sand Dunes represents the Valley's largest tourist destination and draw larger numbers and types of visitors as a result of the upgrade from Monument to National Park.
- Designation of the Sangre de Cristo National Heritage Area further enhances the draw to the Valley, and offers many opportunities to make improvements to historic sites, expand services for a new wave of heritage tourists, and generate fee revenues for private landowners.
- Nature-based and eco-tourism is still the fastest growing, and offer business opportunities in connection with viewing areas, such as Valley branches of the Colorado Birding Trail.

6. Railroads

- Passenger rail service to La Veta and Antonito by the San Luis & Rio Grande Railroad holds potential for more routes.
- Commuter rail is also a possibility with the SL&RG.
- The South Fork to Creede branch of track offers opportunity for excursion service, or conversion from Rails-to-Trails.

7. The Depot Business Development Center

- Co-location of business services with the Business Development Center also creates opportunity to develop a business incubator.

8. Main Street Programs

- Main street programs provide an opportunity for communities to focus on their most important assets and tap into funding not otherwise available.

9. US 160 Major Cross-State Corridor

- Many see four-laning of US 160 as a preferred east/west cross-state corridor which would attract new business opportunities.

10. Expand Research Capacity

- Increased demand for research assistance, and additional research required to advance renewable energy and other technical projects, presents the opportunity to expand SLVDRG research capacity.

12. Other Projects and Proposals Offering Development Opportunities

- Village at Wolf Creek.
- Changes in timber management.

D. External Forces Potentially Affecting the Economy

Partial listings of external forces with potential to affect the regional economy are as follows:

1. Global warming and climate change, with an adverse effect on agriculture, water resources, forest resources, and wildlife. The urgency to develop clean energy sources and reduce hydrocarbon emissions also provides an opportunity for our region to develop solar and other renewable energy resources.
2. Slow national economic recovery.
3. With unrestrained growth in the metro areas, more threats on water exports and sale of agricultural lands.

E. Relevant Material from Government-Sponsored or Supported Plans

1. Colorado Blueprint

Colorado Blueprint, developed through an open, statewide process, provides a roadmap for achieving the goals outlined in the state and regional plans. More on Colorado Blueprint in is XI. CEDS Cooperation with Colorado Development Priorities.

2. Federal Lands Planning and Management

Federal land management agencies, as described in Chapter H. of the Background Information, are responsible for over half the region's land area, with a mandate to "... integrate resource use and protection with the public's use, recreation, and livelihood." These lands support tourism and outdoor recreation; protect watersheds for the economy based on agriculture; harbor and supply timber and mineral resources; guard the wildlife habitat; and sustain grazing areas. Planning and policy decisions on the extent of resource use, access, harvest, fees, and rules of conduct are generally based on scientific studies and findings, budgets, staff capacities, and statutory and federal policies, and are subject to considerable public review and comment.

Examples of the management decisions and issues most relevant to CEDS planning, and most likely to impact the economies of the region and surrounding communities, are those based on the number of visitors allowed; access in terms of roads, trails, hourly and seasonal restrictions, and mode of travel; timber sales and harvest quotas; mining, drilling, and extraction activities; protection of riparian areas; grazing permits; fishing and hunting regulations; threatened or endangered species; camping availability and restrictions; RV and camper waste disposal; and many more.

3. Government-Supported Plans at the Local Level

In our experience, city and county master plans, comprehensive plans, land use plans, and zoning plans provide guidance for the orderly development and attainment of future visions and goals, which are limited in scope to their community or county, and generally do not have a well-developed regional perspective. What we find most relevant in these plans are the provisions made for future economic development by purchasing or reserving land and water rights, and designing opportunity zones and prospective business or industrial parks. Some also consider actions needed to improve physical appearance of downtown areas for shopping and tourism, and the development potential in restoring or converting existing buildings and former business or industrial properties.

To the extent that these issues are addressed, we participate with the county and city/town entities and relying on their assistance to comply with planning guidelines, and advise on planning

improvements or revisions needed to accommodate new development opportunities.

F. Consistency with State and Local Workforce Investment Strategies

1. Colorado Workforce Development Council

Preparing our workforce for job opportunities will require a close alignment to State workforce investment strategies, which are designed by the Colorado Workforce Development Council in lieu of any unified training approach at the national level.

A Council presentation outlined a “Creating Colorado’s Workforce of the Future” which provided a summary of its workforce investment strategies. The strategies follow closely to the Colorado Blueprint development plan, including strategic focus on:

- Colorado Jobs and Employment
- Talented and Competitive Workforce
- Increased Capital Investment
- Customer Satisfaction
- Increased Employment Diversity

Achieving these strategies will require the commitment and cooperation of several entities including economic development, education, and labor. Our strategies include increasing employment diversity and jobs, working with local universities to train our workforce and providing increase capital investments to local businesses to assist them with the workforce needs.

2. South-Central Colorado Workforce Center

Workforce Center offices in the San Luis Valley area are located in Alamosa and Monte Vista, and combine services for subsidized job training for economically disadvantaged clients through Training Advantage. Besides regular job matching and placement, the Center maintains a job exchange network with multiple access points and a network of one-stop career centers across the State. SC Workforce Centers have expanded to include remote locations in libraries in Conejos and Center, CO in an effort to reach clients in outlying areas. They also have an online presence through www.connectingcolorado.com. In addition, it plays a more active role in screening for job openings, and one-on-one job development counseling for clients. Programs under Training Advantage include On-the-Job Training; Vocational Training; Supportive Services; and Work Experience.

In order to maintain consistency with local workforce development strategies, we maintain our membership in a partnership of business and industry, labor, government, and education representatives established by the Workforce Center. Our Strategy Committee also reflects efforts to involve workforce development and training representatives as stakeholders in the CEDS planning and implementation process.

In addition, we are using the Center services for job referrals to projects receiving BLF assistance, and also to verify family income of the applicants to ensure that a majority being hired for the project meet HUD low or moderate-income guidelines. Business borrowers are also advised of training services offered by Training Advantage.

As part of its service delivery, the Workforce Center reports an emphasis on raising the standard of living for its clients, and reducing income equality. We also maintain a policy in our BLF program to ensure that wages proposed in the assisted projects meet or exceed prevailing wages for the occupation and area and in no case can be less than the authorized State Minimum Wage.

G. Past, Present, and Projected Economic Development Investments

1. Early Area and Economic History, 1840-1970

Notable events in the region's economic history from 1840-1970 are summarized in Chapter A. of the Background Information on Area Description and Development History.

2. EDA Development District Investments, 1970-1993

Chapter A. also summarizes notable development investments beginning with the inception of the San Luis Valley Economic Development District in 1970 up until the time of SLVDRG consolidation in January 1994. From 1970-1980, the six counties in the Valley were included as part of the Southern Colorado EDD in Pueblo, with a major focus on local government infrastructure improvements and services needed to prepare for future growth. A separate District for the 6-county area was confirmed in August 1980 under the SLV Council of Governments (COG) and Regional Development and Planning Commission (RDPC), with emphasis shifting to job-creating projects such as the Alamosa Mushroom Farm (currently Rakhra Mushroom Farm), ethanol alcohol production from potatoes, and a number of other prospects building mainly on the Valley's agricultural and timber resources which did not materialize.

Following spending cuts affecting its programs, the COG terminated its operations in 1982 and the RDPC took over the EDA District operations, establishing a Revolving Loan Fund (currently Business Loan Fund) as a primary tool for advancing projects, and adding an emphasis on tourism. This also included an extended evaluation by Louisiana Pacific Corporation for a large wafer-board manufacturing plant based on aspen resources (which did not materialize); and strategies to utilize the Valley's geothermal resources for aquaculture, which resulted in the Colorado Gators attraction and Tilapia farm, and led to a nationally acclaimed aquaculture training class at Trinidad State Junior College.

3. District Investments Under The SLVDRG Administration, 1994-Present

Development investments under the SLVDRG, representing a consolidation of a State-funded Economic Development Council into the RDPC in January 1994, are also summarized in more detail in Chapter A. of the Background Information. This increased the programming strength of the District by adding the State's Enterprise Zone program to the RDPC's loan program as tools to advance projects, and added a stronger interface with DOLA-funded projects.

One of the most notable projects was development of the ag waste treatment facility in 1998, which made it possible to expand value-added processing for the Valley at the ag warehousing, packing, and shipping complex in Center. Facilities are currently being utilized by the Idaho Pacific/Otter Tail dehydrated potato processing plant, and also hosted startup operations for carrot processing and European-style peeled potato products which investors were unable to sustain.

In 2005, we provided loans for the Alta Fuels biodiesel blending and distribution operations, which opened up new possibilities for the expansion of biodiesel production. In January 2007, business loans to Moraine Partners were a key factor in the purchase and re-opening of the starch plant north of Monte Vista, which promises to produce higher-value starch products.

Starting in 2007, renewable energy, and particularly solar-produced energy, offer an even greater level of opportunity for the region. With the development of over 85 megawatts of solar electric generation, the region has potential for further solar production, particularly if issues relating to constrained transmission are solved.

H. Regional Economic Clusters

In a rural area such as the San Luis Valley, we find only a few industry groupings that have the breadth of industry concentration, suppliers, and economic foundations to be identified as a cluster. Only the export volume and activity surrounding and supporting potatoes and other agricultural products may reach the level of a cluster. Tourism may also approach this level, but the impacts in dollar terms have so far been unimpressive compared with agriculture. Two other industry sectors that may be grouped as clusters are health services and education.

1. Agriculture

Made up of production, inputs, and processing, agriculture is the largest segment of the region's economy. As has been noted previously, agriculture accounts for 31 percent of the base income of the San Luis Valley, and 27 percent of all base employment, according to the Colorado State Demography Office.

Below is a further explanation of the components of the agriculture cluster:

Production: Farms and ranches producing the crops and livestock exported from the region and drawing basic income to drive the economy. Potatoes are the largest export crop, followed by barley for brewing, winter wheat, other grains, and canola; alfalfa and native hay; row-crop vegetables such as spinach, lettuce, and carrots; mushrooms grown under cover; potato and other seed crops; hydroponic tomatoes; and livestock including beef cattle, horses, sheep and lambs, goats, and hogs.

Inputs: The indirect suppliers to agriculture including farm services and technical assistance; businesses providing chemicals, fertilizers, and composting; seed companies; crop harvesting services; crop and livestock inspectors; commercial, specialized, and government ag lenders; farm real estate and insurance agents; farm product wholesale distributing operations; workforce development and employment agencies; warehousing, packing, and shipping operations; water storage and irrigation companies; farm labor contractors; farm worker housing; veterinarians; crop spraying services by airplane; farm implement and equipment companies; animal feed stores; lumber and hardware stores; electric and plumbing services; water drilling, pipes, and pumps; fencing materials; crop research stations; refrigerated storage; fuel suppliers; product development and technical engineering; farm cooperatives; marketing agencies and services; trucking, shipping, and rail freight companies; accountants and financial services; utility companies; waste management services and landfills; wholesale buyers and brokers; and large-scale retailers.

Processing: Refers to a process, which alters the raw product by cutting, drying, cooking, or changing it in some form. This adds value to the product from the labor saved to the end user.

A full description of the analysis applied to counties in our region is included as part of Chapter K of Background Information.

2. Tourism

Cluster segments in the base industry analysis include lodging, camping, and resorts; portions of the restaurant industry; tourist goods and services; tourist-related transportation (including airline, bus, tours, and tourist passenger rail); and seasonal and second-home construction and real estate.

While tourism does not have the impact on the region's economy that agriculture has, according to regional base economic analysis, it is the fourth largest source of base employment in the region – 17,352 jobs – and is the most important economic sector in Mineral County and western Rio Grande County.

The recession of 2008 heavily impacted seasonal and second-home construction in Mineral, Rio Grande, Conejos and Saguache counties. The West Fork Complex wildfire in 2013 ruined the tourist summer season for Rio Grande and Mineral counties. Again, while not the major economic driver in the region, negative impacts to the tourism sector have been felt throughout.

Because the San Luis Valley offers such unique and diverse visitor opportunities, and is traversed by two heavily travelled highway corridors, there exists great potential for economic growth in this sector. Tourism also holds positives prospects for cooperation among communities across the Valley to develop tourist resources.

A full analysis of tourism is included in part of Chapter M of Background Information.

3. Health Services

With three hospitals, nineteen medical clinics, nineteen dental clinics, seven nursing homes or assisted living centers, and many other health-related businesses and services, the health services industry in the Valley is both a major employer and an economic engine in the region. Demand for health-related services is likely to grow as the region's population grows older and more residents are covered by health insurance.

Health services is discussed further in Chapter U of Background Information

4. Education

Education plays a major role in the economy of the San Luis Valley and is one of the region's major assets.

Adams State University has an enrollment over 3,700 students, plus more than 10,000 enrolled in Extended Studies. Its annual economic input to the region is estimated at over \$86.6 million.

Trinidad State Junior College – Valley Campus, has over 700 students and about 60 full and part time faculty members. Ninety-eight percent of students are from San Luis Valley and those students rely on TSJC for education, training and certification for jobs and careers.

Some of the largest employers in the region are the 14 school districts located in communities throughout the Valley.

More about education can be found in chapters E. Education, Training, and Workforce Development and S. Public Schools of Background Information.