

How is the Regional Economy Doing?

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Newsletter Advisory Board

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Advisor

It seems that the subject of our economy comes up in business meetings, on the home front and at cocktail parties. How is our local economy really doing? We look at several indicators that when pieced together, gives us a good idea of how we are really doing.

We have turned the "spot-light" on two industry sectors for this edition. As Routt County continues to shift toward an amenity driven economy, one of the intangible benefits is the increase in a business phenomena often referred to as Location Neutral Businesses (LNB). The challenge has been to measure their economic impact. Moffat County has smaller numbers and sees an impact as well. Read the full details on page 9 and 10.

The other industry spotlighted is agriculture. Although the overall agriculture percentage to the total economy is small, its importance to our culture and heritage is great. We have plowed below the surface numbers to identify trends in agriculture's sources of income. Revenue from the sale of livestock remains the dominate source of Yampa Valley's agriculture revenue. This highlights some trends that will continue to strengthen our local agriculture economy.

As we have discussed in previous issues the Yampa Valley is not immune to the ill winds that continue to batter the national economy. Consumer spending continues to

remain in the \$66 per day range where it has remained for the past two years. Consumers are in no mood to spend. More importantly because of activities taking place on the national level the Conference Board Consumer Confidence Index is trending downward as the winter season approaches. Over the past 6 months, this consumer confidence index has dropped from 72 in February to 45 in August. The Index is currently at the lowest level for any comparable August reading since before the recession began. The only bright spot is that the Confidence Index for households with annual incomes in excess of \$150,000 continues to increase. This household segment is one of the core Steamboat Ski and Resort customer demographics.

Fortunately Routt County is diversifying their income and employment sources. The economic slowdown that is forecasted to occur nationally will be tempered in Routt due to this diversification. Since 28% of Mofatt's workforce works outside the county, primarily in Routt, Moffat will have significant inflow income to help stabilize their economy. Based on 2009 BEA Data Moffat County's is trending toward less economic diversity. Please see charts on page 3.

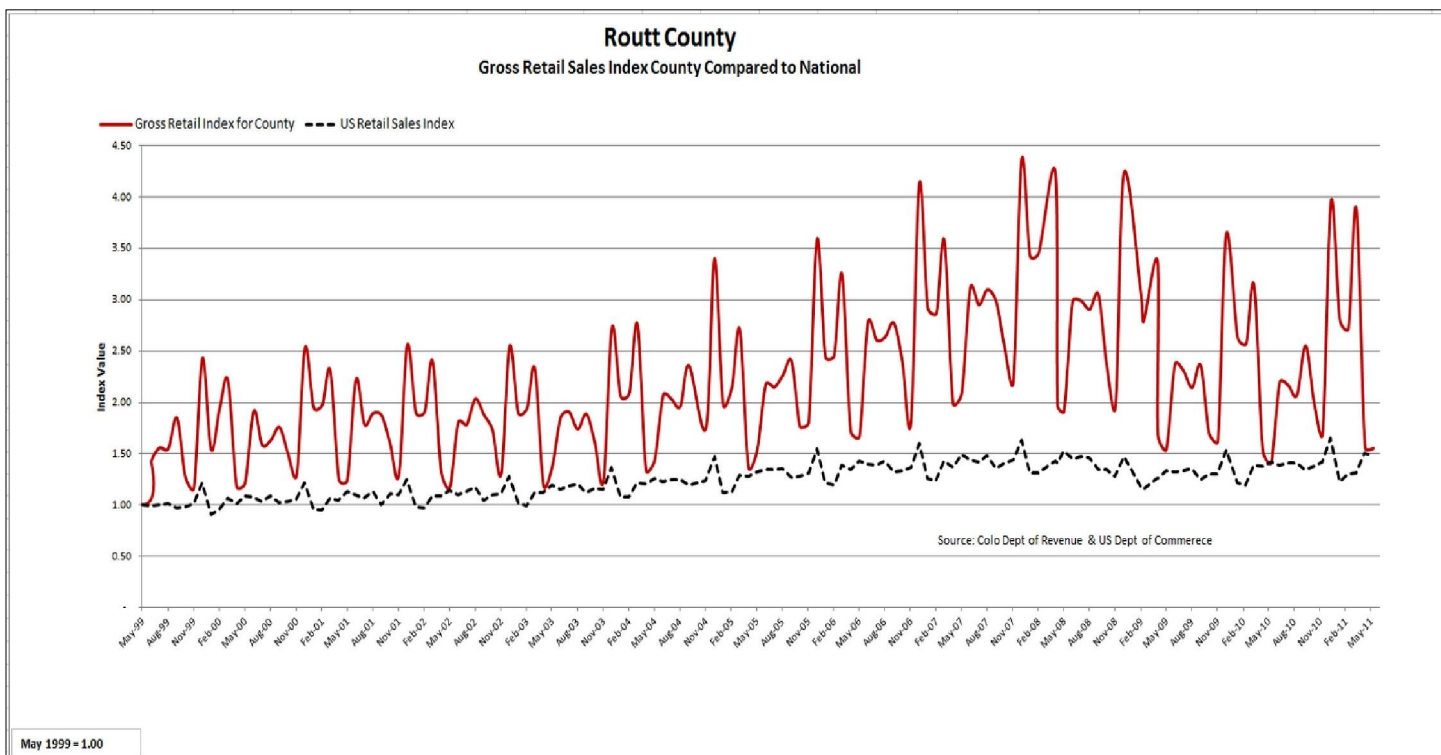
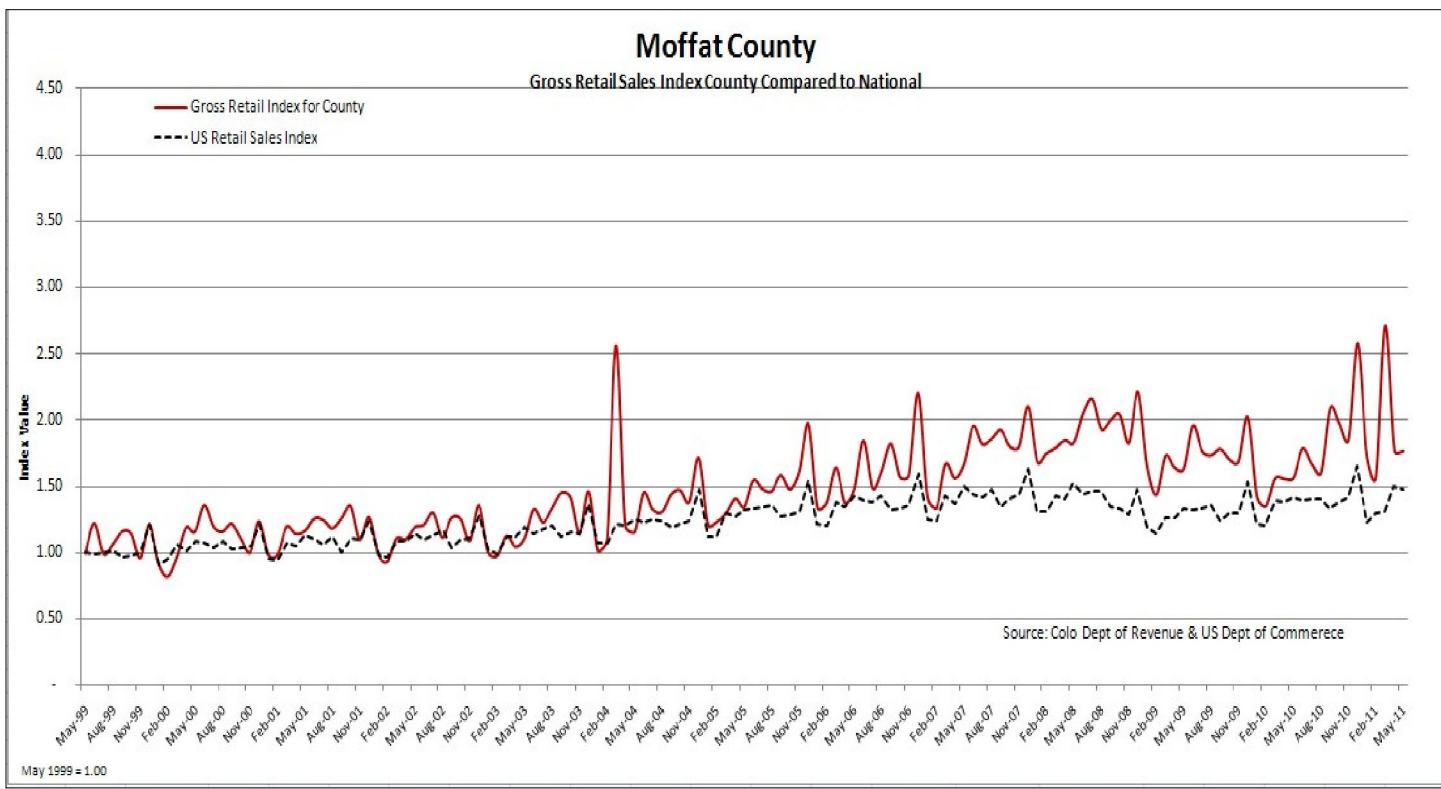
So next time you are in a business meeting or at a social function, after reading this newsletter, you'll have an answer for how is our economy doing?

Inside this issue:

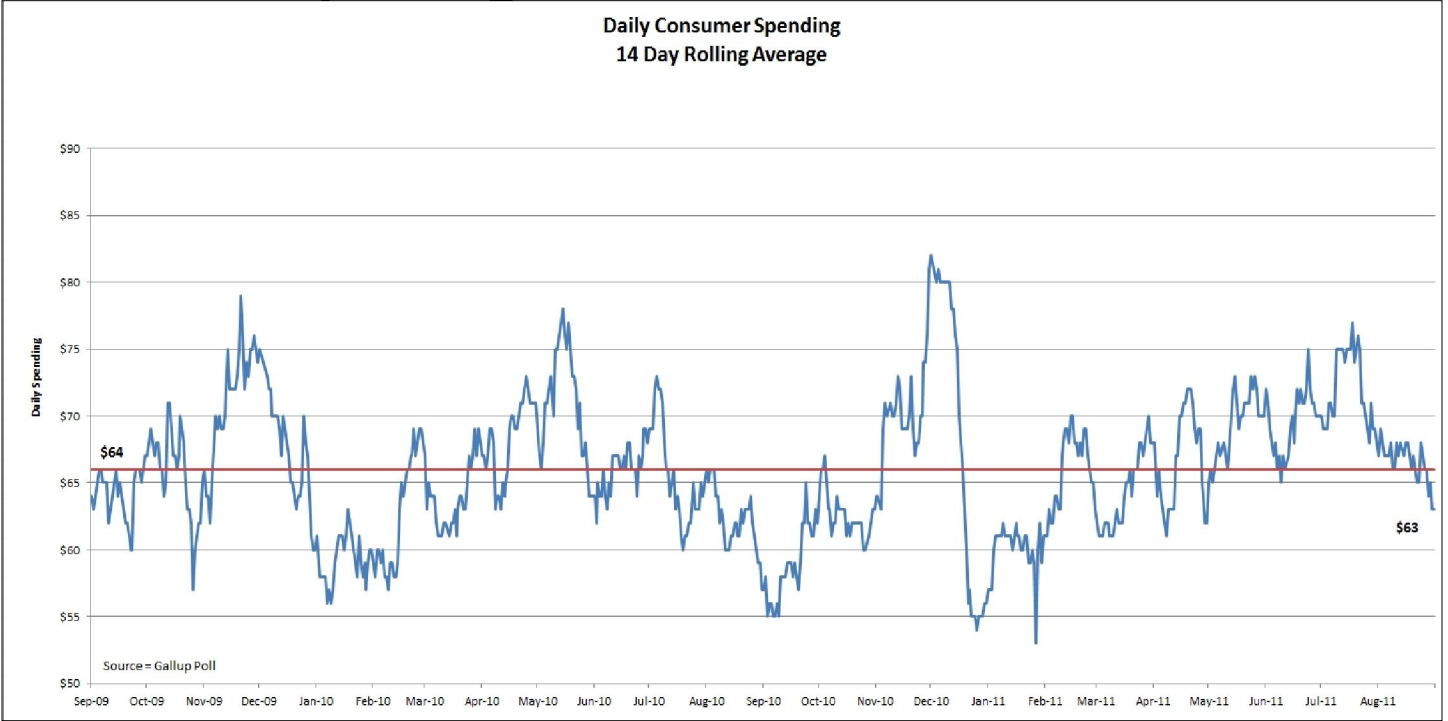
Retail Sales	2-3
Employment	4-5
Real Estate	6-7
Construction	8
Agriculture	9
Spotlight on Location Neutral Businesses	10-11
Yampa Valley Data Partners Info	12

Gross Retail Sales

The US Department of Commerce is forecasting an increase in retail sales (Oct-Dec) over the prior year. This is good news, however, it needs to be tempered with the Forecast Confidence Range factors. The fundamentals are strong; however, it is unknown how the consumer will respond to the threat of an impending national economic slowdown.



Consumer Spending

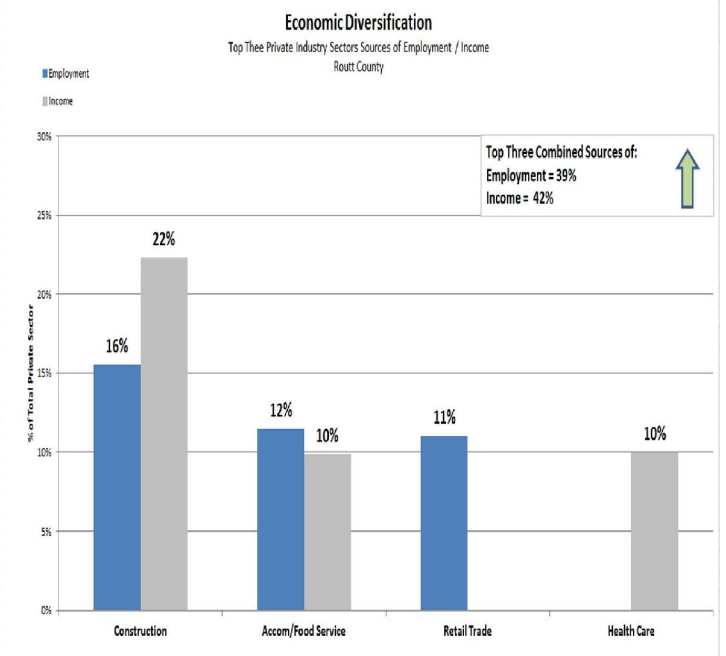
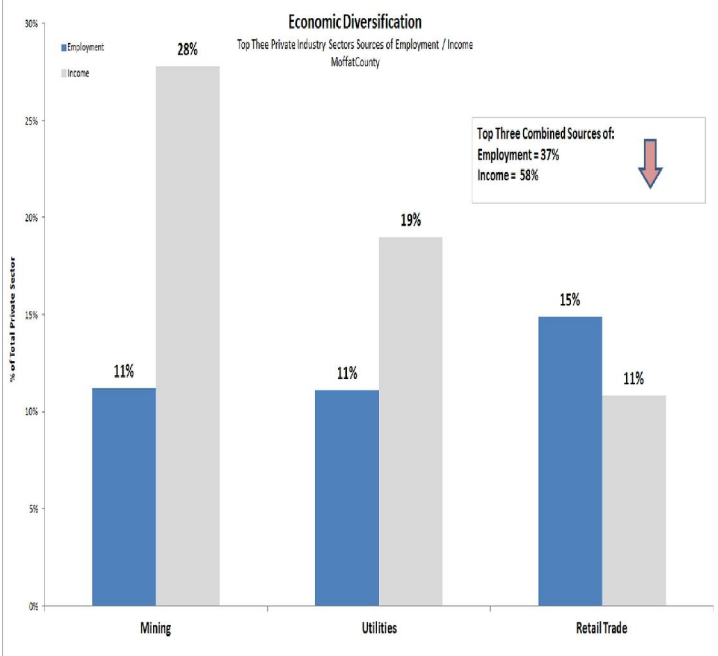


Moffat County Gross Retail Sales Forecast

Date	Gross Retail Sales	Forecast Value	50% Correct +/-	80% Correct +/-
Oct-11	5.1%	\$36,275,000	2.1%	4.6%
Nov-11	5.5%	\$34,121,000	2.4%	5.4%
Dec-11	8.2%	\$48,724,000	2.7%	6.0%

Routt County Gross Retail Sales Forecast

Date	Gross Retail Sales	Forecast Value	50% Correct +/-	80% Correct +/-
Oct-11	5.1%	\$64,429,000	2.1%	4.6%
Nov-11	5.5%	\$54,909,000	2.4%	5.4%
Dec-11	8.2%	\$131,177,000	2.7%	6.0%



Employment

Local employment data gathered by the Bureau of Labor Statistics is passed to the Colorado Department of Labor. This data is used to calculate the monthly unemployment percentage. Since the counties in Northwest Colorado are relatively small, slight variations in either the denominator or the numerator can cause wide swings in the employment percentage. In addition, there is no adjustment for seasonality. We are not saying that the unemployment percentage numbers released by the Colorado Department of Labor are meaningless - they are just not very useful in realistically assessing the unemployment situation and specifically the stress the economy is experiencing due to too few jobs or lack of workforce.

Therefore YVDP uses an indicator that assesses the economic stress that compares the relative change in either jobs or workforce on a comparative basis year over year. Since the first of the year, the economic stress factor has been improving. The good news is over the past two months the stress factor has become positive in both counties. This is the first time this critical indicator has been positive since December of 2007.

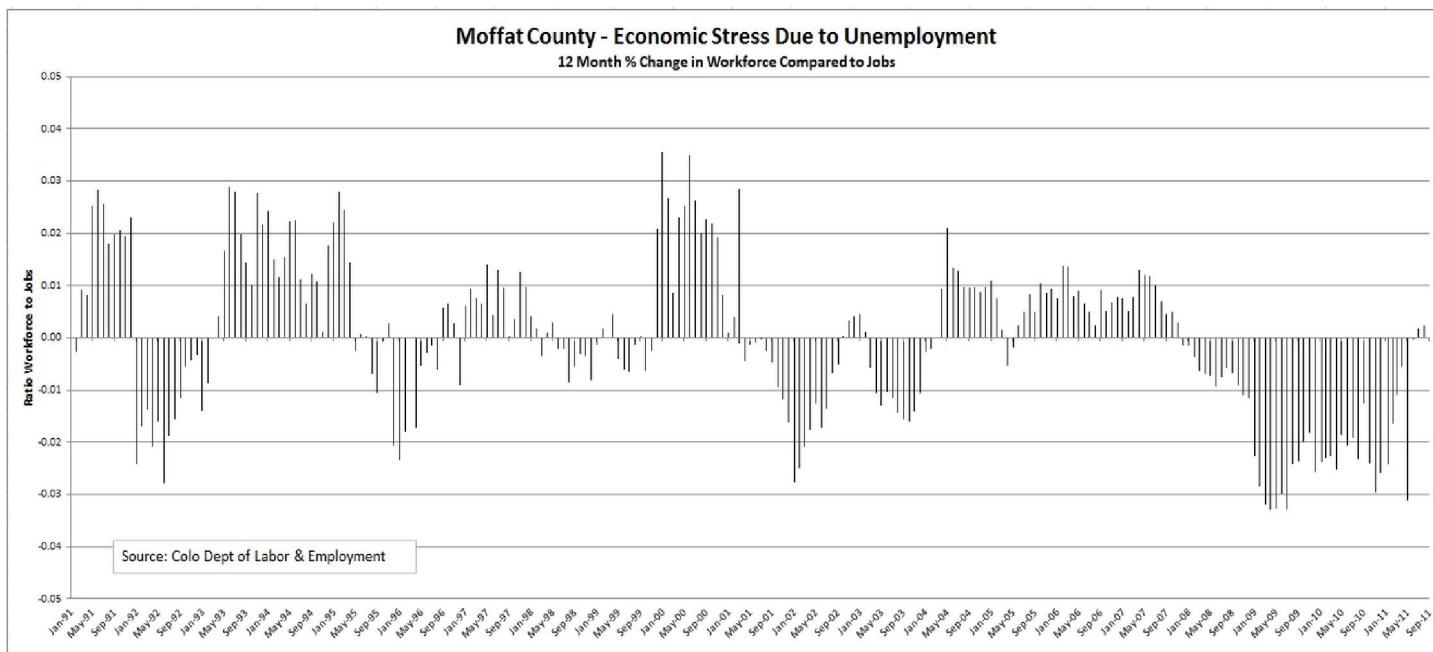
The US Department of Labor is forecasting essentially no change in the national unemployment rate for the next 6 months. Moffat and Routt counties are forecasted to have their unemployment rate decline slightly over the next 6

months by at least 1 to 1.5 percentage points.

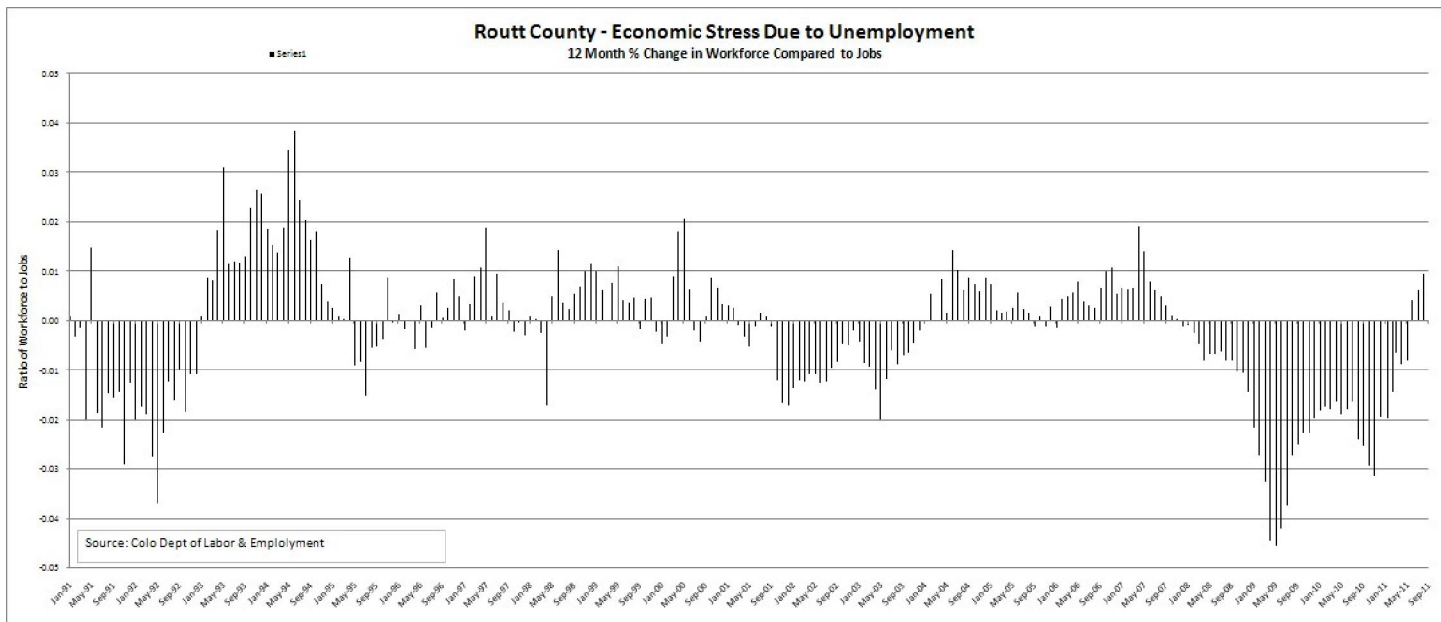
One of the challenges any community is faced with is economic diversification. A lot of talk surrounds the need to diversify the economy. Yampa Valley Data Partners uses a bench marking process to measure economic trends in diversification. The formula is as follows:

The contribution of the top three private industry sectors to the total counties' employment and personal income. We use a bench mark of 50%. If the top three private industry sectors account for 50% or less of private sector income and employment, the county's economy is considered diverse. In addition, the growth of per capita income must be at a rate greater than the rate of inflation. Mixing these three factors helps determine if an economy is more or less diverse.

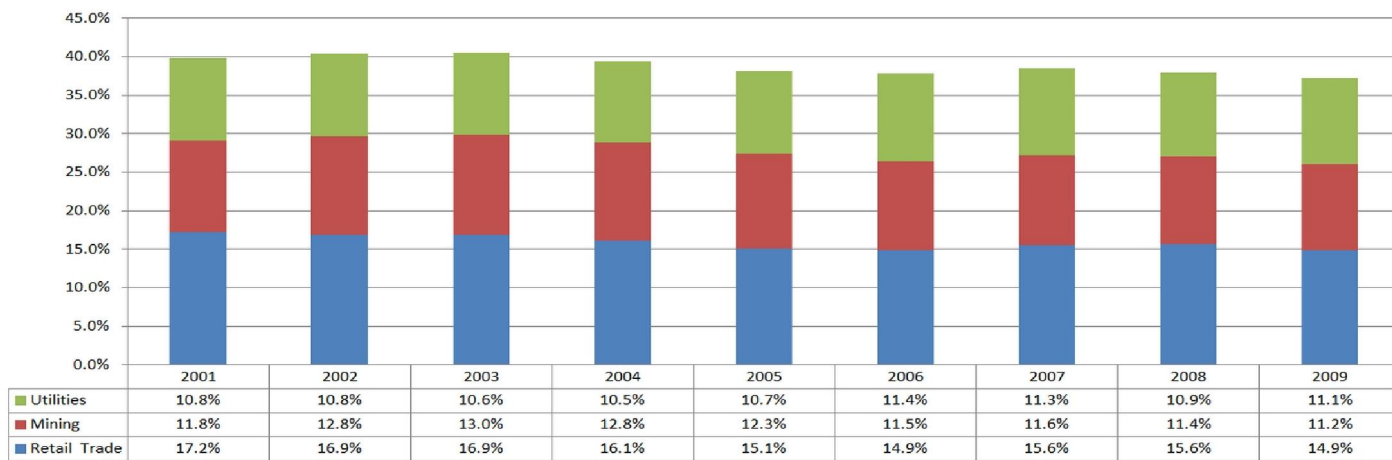
The top three private employment industry sectors in Moffat and Routt counties are different. Moffat County's sources of employment have been unchanged over the past 10 years with the top three accounting for on average 38.5% of the employment. Although private sector employment in Routt County is more dependent on the top three industry sectors, the trend over the past 10 years has been toward increased diversity. The top three in Routt account for 44.5% in 2001 and in 2009 account for 38.4%, thus the trend becoming more diverse.



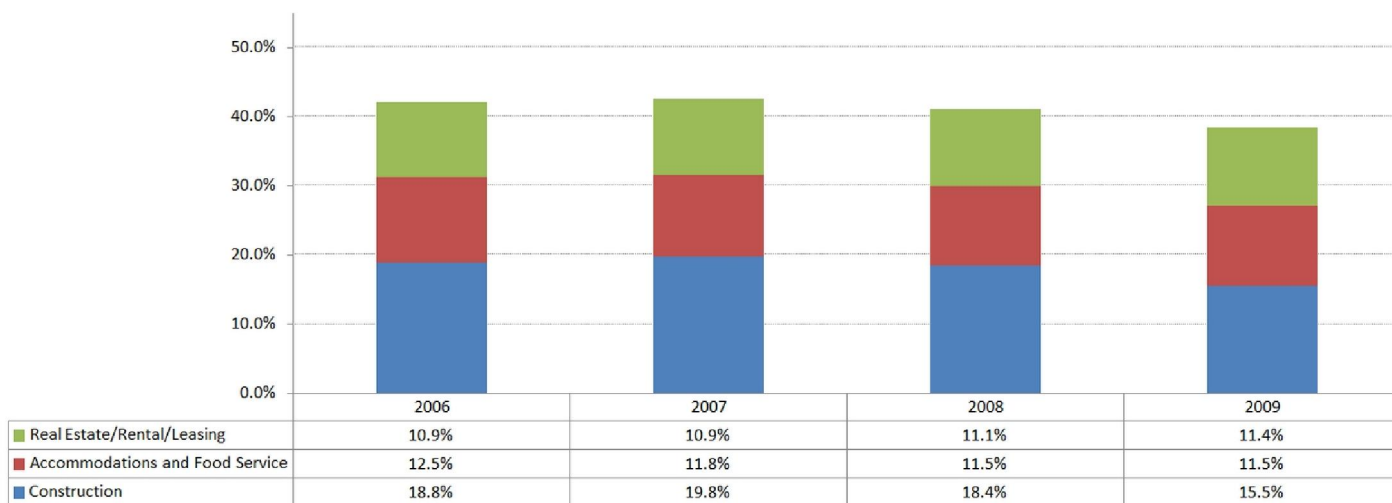
Employment & Economic Stress



Moffat County Economic Diversity
Contribution of Top 3 Private Sector Employment to Total Private Sector Employment



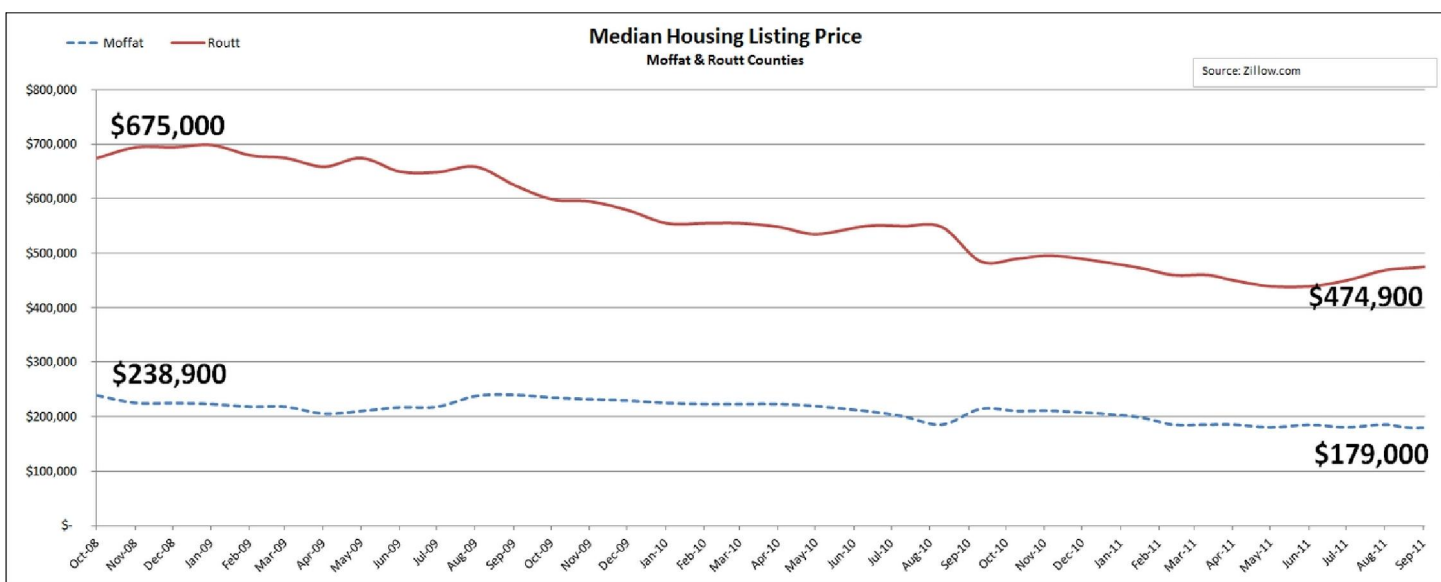
Routt County Economic Diversity /2006-2009
Contribution of Top 3 Private Sector Employment to Total Private Sector Employment



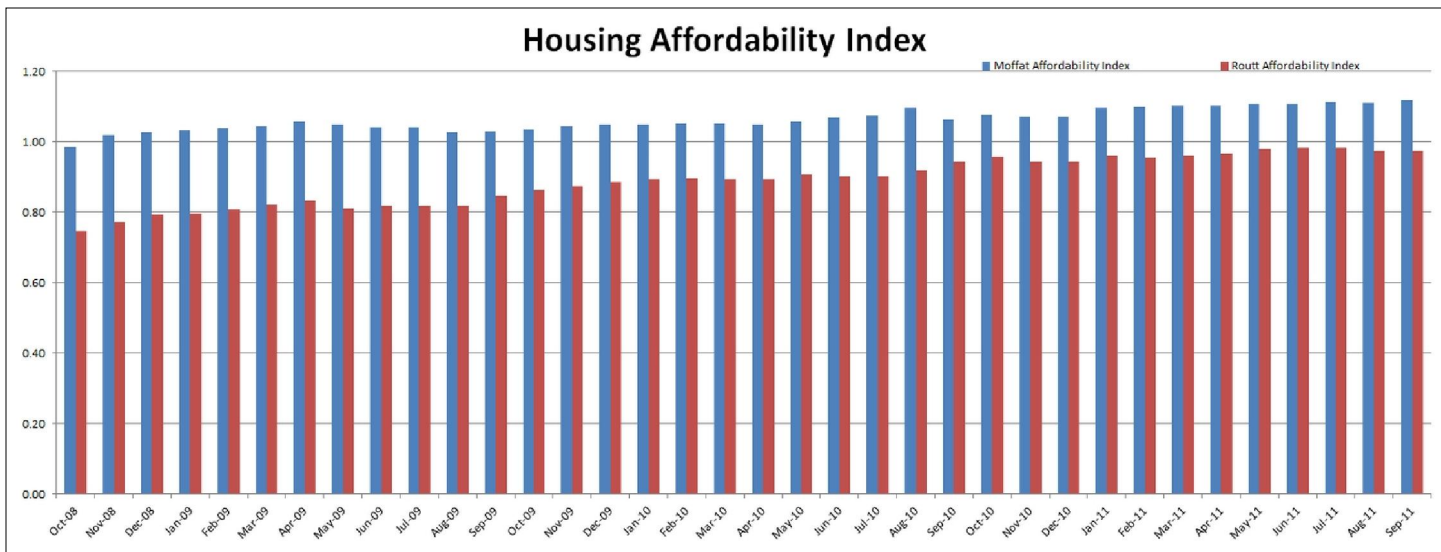
Real Estate

On a regional basis, the median listing price of homes in Moffat and Routt counties are down approximately 7% from the same time last year. As of September 2011, the median listing price in Moffat County was \$179,000 and in Routt County \$474,900. The chart below shows the change in median listing price month over month, quarter over quarter and year over year compared to other like counties from our data source Zillow. The housing units that received a foreclosure notice in August 2011 (Source = Realtytrac) is listed as well as the estimated number of housing units (US 2010 Census).

	Moffat	Routt	Eagle	Garfield	La Plata	Summit	Colorado	National
	\$179,000	\$474,900	\$675,000	\$ 285,000	\$ 3,399,000	\$ 485,000	\$ 255,000	\$ 189,900
Change								
M-o-M	-0.5%	1.3%	0.9%	3.7%	0.0%	-1.0%	0.8%	0.5%
Qtr-o-Qtr	-0.6%	8.2%	1.9%	-1.4%	3.3%	10.5%	2.0%	0.5%
Yr-o-Yr	-10.5%	-4.1%	4.0%	-10.7%	-1.7%	5.0%	-1.7%	-2.6%
Foreclosure Notice 8/2011	1 in 1,228	1 in 325	1 in 384	1 in 142	1 in 1,052	1 in 630	1 in 439	1 in 570
Est. # Housing Units	6,196	16,303	31,312	23,309	25,860	29,842	2,212,898	129,969,653



Real Estate



Routt County inventory of homes for sale has slowly been declining over that past few months. There is increase evidence that the median listing price rate of decline (30%) that began in Oct 2008 is slowing. This is not the case in Moffat County where the inventory of homes for sale continues to increase therefore forcing lower prices.

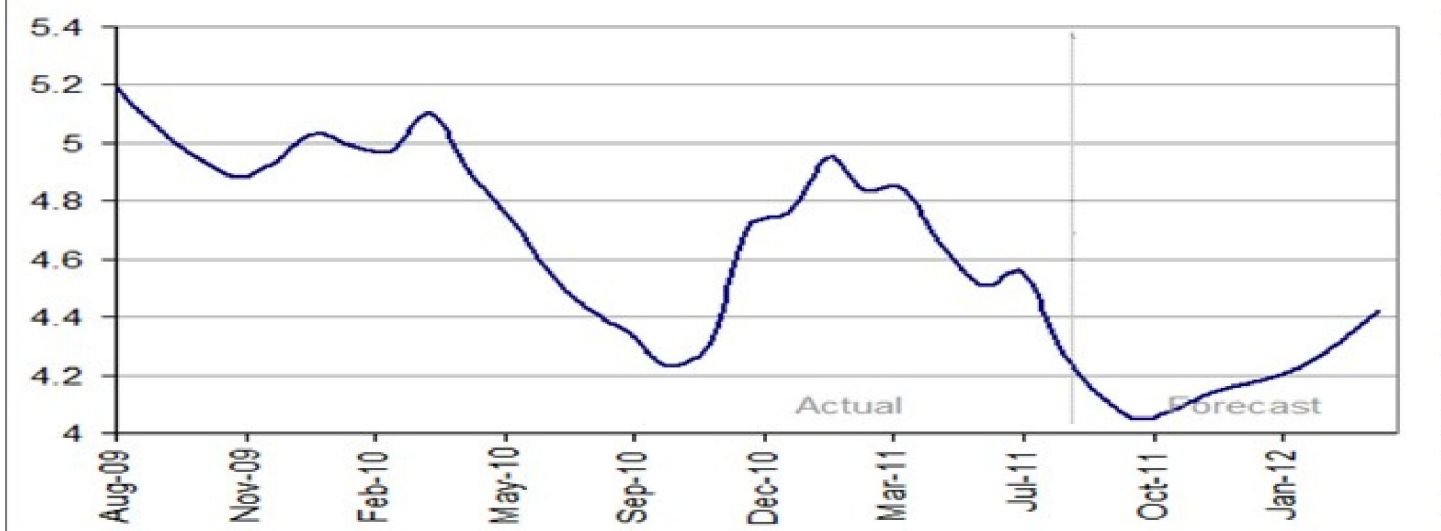
The housing affordability index indicates that the 4th quarter of 2011 may see low home prices, slowing rate of decline in median listing prices and the lowest long term fixed mortgage rates in 50 years. This combination of factors may be the best opportunity to purchase a home in the Yampa Valley that we have seen in the past 25+ years.

From November 2011 to February 2012 the 30 year mortgage rate is forecasted at 4.25% or below.

Foreclosures are still occurring at a relatively high rate in Routt County and a reasonably low rate in Moffat County. In August of 2011 of the 6,106 housing units in Moffat County five homes received foreclosure notices. In Routt County out of the 16,303 housing units, 50 homes received foreclosure notices in August 2011.



30 Year Conventional Mortgage Interest Rate Past Trend Present Value & Future Projection



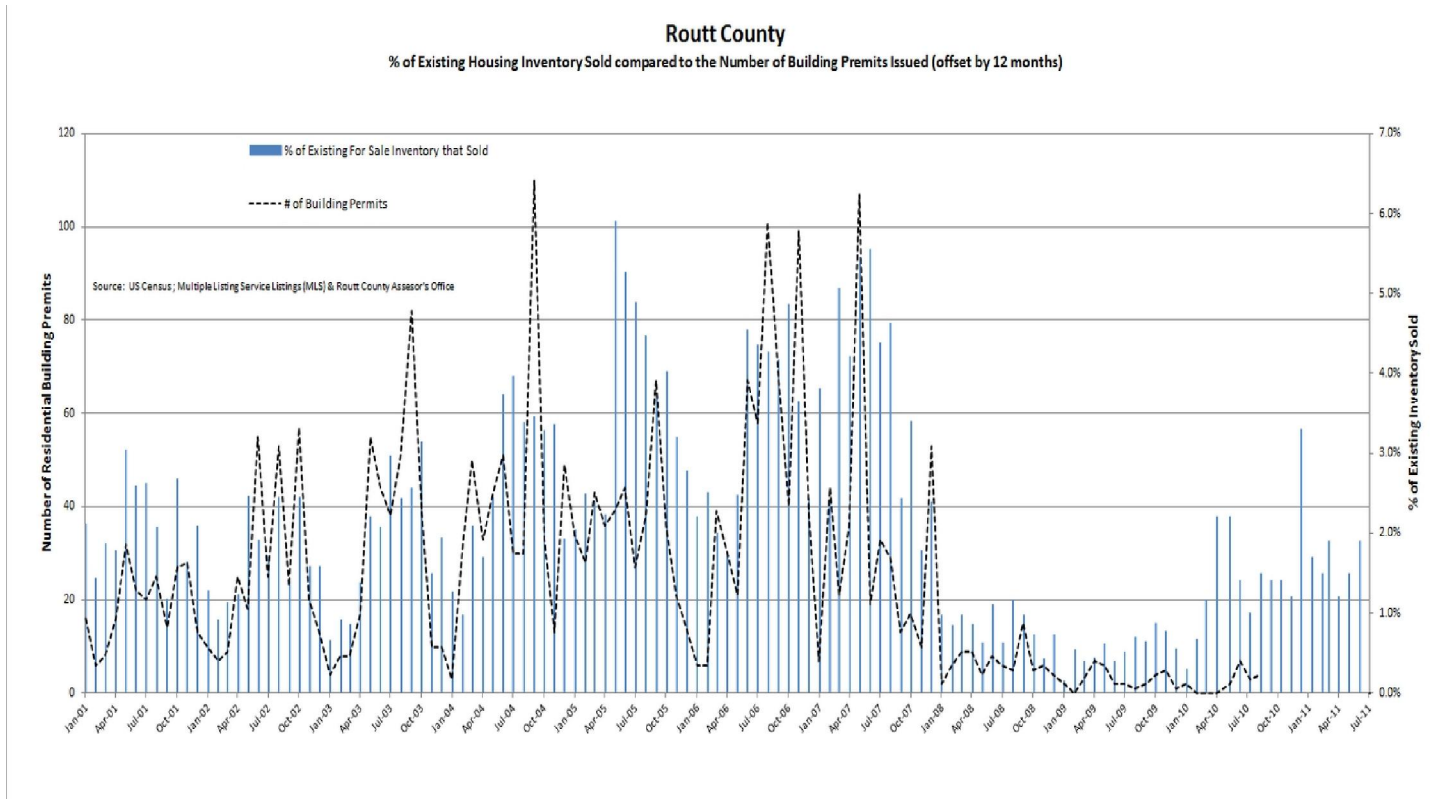
Construction - Routt

The residential construction industry will stagnate for the next 3 to 5 years unless we see the single family home sales rate increase. Over the past 12 months, the sale of existing single-family homes to existing total housing inventory was 1.7%. The construction predictor developed by YVDP indicates that single family home sales need to exceed 2.5% on a sustained basis for 12 to 18 months before there is a recovery in residential construction. It is important to highlight that although the construction industry sector has declined in both counties, construction has not stopped. Large commercial projects have and will continue to support this industry sector. In addition, remodels and additions have helped those contractors, who specialize in residential construction, to survive. We can see construction activity is still occurring when the Colorado Department of Labor released quarterly employment numbers. In the 1st quarter of 2011 there were 239 employees earning an average weekly wage of \$961 in Moffat County. In Routt County there were 824 employees earning an average weekly wage of \$1,051. Construction is slower and is still occurring in our region.

Check out our on-line community indicators

Strengthening our community through data and collaboration.

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Agriculture

In this edition of the quarterly newsletter, we wanted to highlight a few key economic indicators in our agriculture industry. Over the past 30 years, when adjusted for inflation, agriculture revenues have been increasing in both counties.

In Moffat County, the 30 year median annual revenues from the agriculture industry sector are approximately \$36.8 million. In Routt County, median annual revenues are \$42.5 million. Although the agriculture industry has its challenges, the revenue trend over the past 30 years has been favorable.

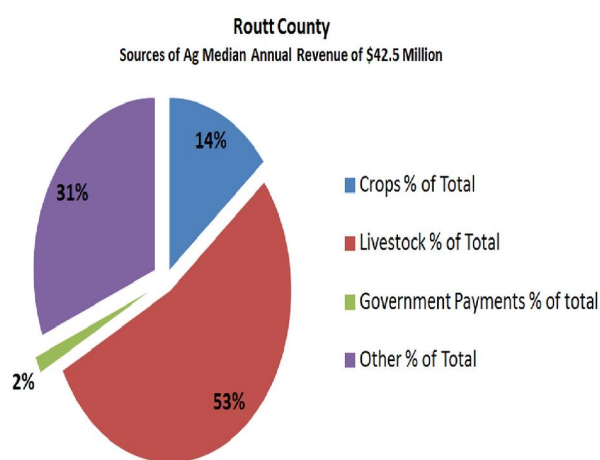
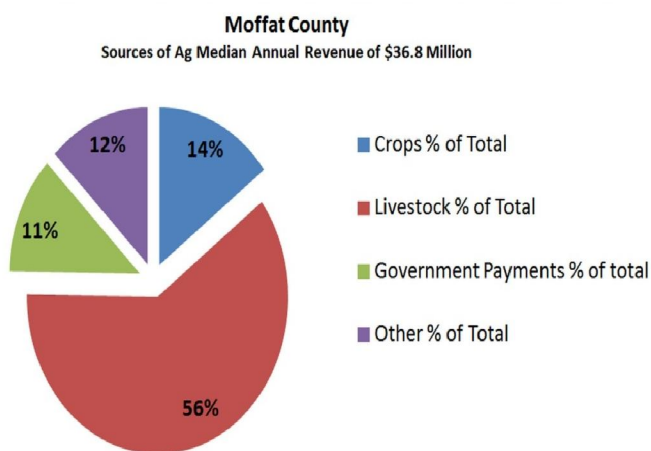
With some additional analysis, YVDP was able to identify the sources of this revenue. It is this analysis that reveals some important trends that are occurring in the agriculture industry. Both counties continue to generate a majority of agriculture revenues from livestock operations and the dominate type of livestock is cattle.

Over the past 30 years, there have been changes in revenue sources often driven from changes in the market price for cattle. However, one of the 10 year trends is local ranches have been seeing an increase in "other" income. Other income is defined by the Bureau of Economic Analysis as

leasing of land, equipment, and payments received for recreational uses. In the past, both counties have been characterized as primarily cow/calf operations. There is a trend increase toward leasing acreage for yearling cattle grazing but not actually owning the cattle. Income from this type of activity would fall into the "other" income category.

In Texas, New Mexico, Oklahoma, and Kansas there have been severe drought conditions over the past two years. Many cattle operators have been force to reduce their cattle herd size significantly. According to the September 15, 2011 edition of Agriculture News, a weekly on-line publication of the Department of Agriculture, herd reductions of 85% or more are not uncommon for this region of the country. At this level of reduction, it can take five to eight years to rebuild herd size if favorable weather conditions return.

What we'll see is beef prices begin to increase at the super market because of the reduced cattle production in the southern part of the country. This will be a favorable trend for Northwest Colorado's livestock ranchers as they can sell their cattle for higher prices as supply is diminished and demand continues.



Did you know that data presentations and information are available for free at www.yampavalleypartners.com?

Spotlight on Location Neutral Businesses

The term Location Neutral Businesses, (LNBs) was coined in Routt County. It is a term that is increasingly used throughout Colorado and occasionally nationally, to describe a significant economic trend in areas with an abundance of lifestyle amenities. For purposes of this newsletter, the definition of a location neutral business can be described as follows: A LNB is anyone or business that is located in the Yampa Valley with his or her source of business income/revenue that is not directly dependent upon the economic activity occurring in the Yampa Valley. Simply put, the individual or business made the decision to locate in the Yampa Valley because of lifestyle, technology and transportation infrastructure and does business nationally and often globally.

In Routt County business such as SmartWool, Moots, BAP, and TIC are often cited as examples of LNBs. This is because they have a presence in the area represented by a buildings and employees. This is a typical way people define a business enterprise. Collectively, these companies employ 250 to 300 local individuals. Although significant, these numbers represent only a small portion of the

true LNB local economic impact.

Developing a methodology to assess the impact of LNBs has been a significant challenge. Almost everyone in the Yampa Valley seems to know someone that meets the definition of an LNB, but how do we move beyond this type of anecdotal evidence to objective economic measurement? The communities of the Yampa Valley are not the only ones that have struggled with this challenge. Communities from Ketchum/Sun Valley, Idaho to Santa Fe, NM have been asking the same question.

Yampa Valley Data Partners has recently developed a way that reasonably estimates the number of folks involved in LNBs and the value of income to the communities they live in. We use objective secondary source data available from the US Census and Bureau of Economic Analysis (BEA). Like most economic indicators, the data associated with this indicator is best viewed from the perspective of trends over time, velocity, magnitude, and comparability to other communities. One of the first questions is how many LNBs exist? Using data from the American Community Survey (ACS) done by the US Census Bureau annually, we can

Routt County Census/ American Community Survey	Workforce Participation	Number Indicating they Work From Home	% of Total Participating Workforce
1990	81.7%	318	3.6%
2000	88.1%	742	5.2%
2005 -2007*	85.3%	1,028	7.2%
2006 -2008*	82.8%	1,191	8.4%
2007-2009*	85.4%	1,574	10.5%

*Three Year Annual Average

Using 1990 as a base line (when 3.6% of the participating workforce was working) the growth in LNB activity would be as follows for Routt County

Reporting Period	Estimated Adjusted Rate of LNB Growth	Estimated number of Individuals
2000	1.6%	222
2005 -2007*	3.6%	514
2006 -2008*	4.8%	681
2007-2009*	6.9%	1,034

Location Neutrals are Significant Economic Force

At the 6.9% level, we estimate that in Routt County those 1,034 individuals can be classified as LNBs.

Knowing this projected number, we estimated their annual income. Although LNBs are involved in many different industry sectors, the growth of LNBs from 2000 forward appears to be highly correlated with the growth in the Professional, Technical and Scientific industry sector.

Income and employment data is captured by the Bureau of Labor Statistics for Routt County. In 2010, the average annual income for a person in this industry sector was

\$50,388. Using this income value multiplied by the estimated number of LNBs results in over \$52 million dollars in local personal income. To put this in perspective the Routt County LNBs are roughly equivalent to the personal income generated from the Routt County Accommodation and Food Services sector.

Using our economic impact model that takes into account typical consumer spending patterns and local spending preferences, it is estimated that LNBs in Routt County account for an annual local household spending of \$34.3 million and local sales tax in the following magnitude:

Local Sales Tax generated by Taxing Entity

Taxing Entity	Estimated Annual Collection
Routt County	\$277,000
City of Steamboat Springs	\$1,272,000
Steamboat Springs School District Re-2	\$159,000
TOTAL	\$1,708,000

LNBs local spending supports 99 jobs that contribute to an additional \$3.6 million dollars in household income.

Theoretically, if we could get all the LNBs to leave their "home offices" and report to work at a centralized office complex it would need to house over 1,000 employees and would account for approximately 6.5% to 7.0% of Routt County's total private industry sector personal income.

LNBs are significant to Routt County's economy. They are a source of primary jobs that pay on average 20% above Routt County's current median income. As technology and transportation infrastructure continue to improve and expand so will the role of LNBs in the local economy.

The Location Neutral Business trend is also evident in Moffat County although at a smaller level. We estimate that there are between 175 and 200 individuals that work from home that meet the definition of an LNB. This number is too low to calculate a meaningful economic impact,

however, that does not mean that it does not exist.

We can estimate the amount of personal income. However, we don't know how the that income is spent locally. We are looking forward to conducting a consumer preference survey special for Moffat County in the future. Assuming a midpoint of 187 and the average wage/salary for the Professional, Technical and Scientific Industry sector, we estimate that LNBs are contributing approximately \$14.9 million annually to the Moffat County's economy in labor source income.

Although LNBs are scattered across many different industry sectors, at this level of contribution LNBs are equal to approximately 50% of the personal income from the retail trade industry sector in Moffat County.



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Strengthening our community through data and collaboration

New Name/New Office

The YVDP Board of Directors approved a name change for the Yampa Valley Partner's organization. By inserting the word **data**, the board felt this clarifies the name to the region and better describes the Yampa Valley Data Partner's core service to the community.

Yampa Valley Data Partners (YVDP) has moved their office from the Center of Craig building to the old CNCC Bell Tower on college drive in Craig. Stop by, visit us and check out our new office space. We are delighted to be in the same building as CNCC's community programming and the Craig/Moffat Economic Development Partnership's new business incubator.

New 3 Year Strategic Plan

Yampa Valley Data Partners has become an important information and data resource for Northwest Colorado. Increased awareness about YVDP's purpose and its ability of develop community indicators and organize regional dialogue has secured Yampa Valley Data Partners as the premier data and collaboration organization in the region.

Yampa Valley Data Partners' main product, the Community Indicators Report, continues to provide basis for dialogue, grant requests and partnerships. Two new products, monthly Fast Facts and the Quarterly Economic Forecast Newsletter were added to YVDP's product line in 2010. The Board of Directors created a new three year strategic plan to direct the organization to continued success.

The Strategic Planning Committee identified three fundamental objectives: 1) Community Indicators Project (CIP), monthly Fast Facts and the Quarterly Economic Forecast Newsletter are YVDP's signature products, 2) YVDP is the regional organization providing data, analysis and regional dialogue on topics of local importance including energy efficiency and 3) Strengthen the operational and sustainability of YVDP as an organization.

This **Strategic Plan** details the implementation of YVDP's short-term, long-term and organizational goals for 2011-2013. As an "active" document, it will be reviewed annually to reflect the organization's changing needs.

To receive the full strategic plan document, please contact Kate Nowak, Executive Director, at kate@yampavalleypartners.com

Challenge Grant Launches



We are thankful to Wells Fargo for a \$3000 challenge grant. YVDP kicks off the campaign October 1st. YVDP will use the money raised to enhance our data products both on line and with the monthly and quarterly products. You can donate on-line at our

website to make any size donation. As a 5013c organization, your donation is tax deductible. The board has set a goal of raising an additional \$7,000 to meet our \$10K fundraising goal.

Yampa Valley Data Partners *Mission*

The mission of Yampa Valley Data Partners is to strengthen the communities in our region through collaborative partnerships and through providing relevant, timely and accessible data to decision makers.

Yampa Valley Data Partners *Board of Directors*

- Meg Bentley
- Terry Carwile
- Greg Dixson
- Tyler Jacobs
- Pamela Kinder
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- Tom Krabacher
- Darcy Owens-Trask
- Randy Rudasics