

Lake County Economic Development Strategic Plan

Phase I – Economic Assessment



Prepared by: Better City

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Executive Summary

Which is more remarkable –

That there is a rural county that:

- Is nestled in a beautiful pine forest surrounded by towering peaks whose majesty would make the Alps blush in envy,
- Has serene mountain lakes teeming with fish,
- A ski resort that is half the price with a quarter of the crowds as surrounding venues,
- A picturesque main street that has maintained its Old West / Victorian charm,
- An unmatched history replete with scandals, fortunes won and lost, lavish elegance and gun-slinging sheriffs,
- Over one hundred miles of biking, skiing and walking trails,
- Stately Victorian homes (one of which is rumored to be owned by a Hollywood actor!),
- Is the healthiest county in the country,
- Has more parades and festivals than virtually anywhere else, and
- Is powered by an incredibly infectious, tenacious civic pride?

or,

That such a place is largely unknown?

Lake County is truly one of the most beautiful places on the planet and boasts some of the most amazing natural and historical amenities found anywhere. Yet it is one of the great un-discovered gems of the country.

For all that it has going for it, however, Lake County is not without its challenges. Affordable housing is scarce, the median income lags behind the state average by 29%, some of its best real estate is designated as EPA Superfund sites and the county is

heavily reliant on the Climax mine which will close in the coming years.

This Phase 1 Report of the Lake County Economic Development Strategic Plan examines the demographic and economic indicators that define the County's current state, looks at the challenges the County faces and catalogues its unique assets and strengths. The information has been compiled from a wide range of federal, state and local sources as well as more than fifty interviews with local stakeholders.

Economy

Lake County has a very entrepreneurial culture with strong new business creation. Median incomes are growing but are lower than in any neighboring county. The unemployment rate has declined steadily and is at its lowest point in decades but job growth has not been sufficient to attract new workers and the workforce has not shown sustained growth. Even though population growth has been measured, the rate of home building in the County has not kept up and inventory is so scarce that the most affordable homes are selling in less than 50 days.

Demographics

Nearly 40% of Lake County's residents are of Hispanic ethnicity and Hispanic households have higher median incomes than the other ethnic groups. Educational attainment is significantly lower than the state averages but Lake County's residents are, by many measures, among the healthiest in the United States. Not only are there incredible recreation activities within the County but there are five ski areas within sixty miles of Leadville. Students at Lake County schools perform far below the state average in every category and ACT scores are below the 10th percentile in the state. Bullying is more prevalent in Lake County schools than the average school as are threats of physical violence. More than 15% of the students who live in Lake County attend school outside of the County. The achievement gaps and concerns about student safety in the schools are cited as primary impediments to being able to recruit educated and ambitious workers to the area.

Industry Analysis

The Mining and Government industries account for a far greater percentage of jobs in Lake County than in the state as a whole. The disproportionate reliance on these two industries is a concern because of the eventual closure of the Climax mine and because the Government sector doesn't create new wealth but is primarily redistributive. Because of the success of Melanzana and Freeride Systems, the manufacturing sector has shown good job growth as have the Accommodation and Food Services industries.

Most of the white collar industries like Professional Management, Technical Services and Real Estate are both underrepresented in Lake County and are shrinking.

Issues

Among the most critical issues and challenges facing the County are:

- The Quality of Public Education
- Economic Development Funding
- Hispanic Community Disengagement
- Hospitality / Restaurant Availability
- Housing Supply
- Infrastructure (including broadband, water and sewer)
- Season swings in retail and hospitality

Assets / Opportunities

Lake County has incredible natural assets and amazing opportunities. Among the most important are:

- Community Spirit
- Altitude
- The Leadville 100
- Historic Main Street
- Recreational Amenities
- Convention Center
- Airport
- History

- Twin Lakes
- Quality of Post-High School Educational Opportunities

Opportunities:

- Entrepreneurs
- Tourism Cross Promotion / Package Deals
- Branding
- Filming

As rich as is Lake County's history, with its amazing people and wealth of natural assets its future could be even brighter than its past.

State of the Economy

Lake County is known for its ore deposits, which subject the local economy to boom and bust cycles as global commodity prices fluctuate. Since the reopening of the Climax molybdenum mine in 2012, the economic fortunes of the County have steadily improved. However, unfavorable market conditions including the significant price declines in the spot price of molybdenum over the last few years, have resulted in the downsizing of the Henderson mine in Grand and Clear Creek counties. Further global price declines may price molybdenum ore at or below the cost of extraction, accelerating the timeframe for idling of the Climax mine before the current estimated closure in 2038.

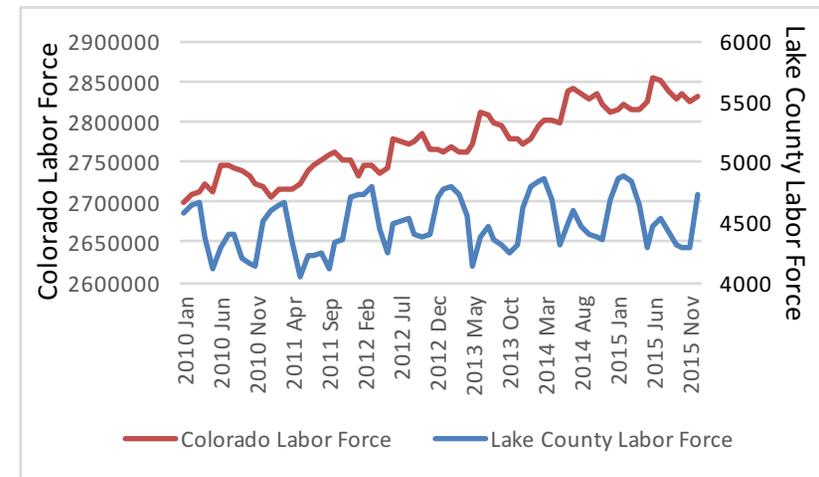
Economic Trends

Employment



Figure 1: Historical Unemployment Rate

Figure 1 displays Lake County’s unemployment rate over the past five years. From the peak of unemployment above 13% in early 2010, the economy has steadily improved primarily due to the reopening of the Climax mine in 2012. It is estimated that 17% of Lake County workers are employed in the Mining, Quarrying, and Oil and Gas Extraction industries.



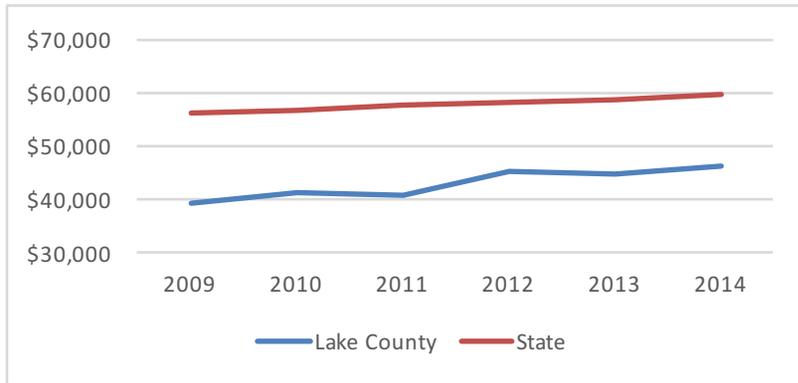
Source: US Census Bureau, 2014 ACS Survey

Figure 2: Labor Force

The labor force, however, did not grow when the mine opened (See Figure 2). The additional jobs were absorbed by the unemployed in Lake County or in-commuters. The number of workers in the County has modulated around a mean of around 4,500 while the State’s workforce has shown steady growth.

Incomes

The median income in Lake County of \$46,174 is only 78% of the State average but was 70% in 2010. Figure 3 shows how the gap has narrowed over time. The biggest increase came in 2012 and corresponds with the re-opening of the Climax mine.



Source: US Census Bureau, 2014 ACS Survey

Figure 3: Median Income

During local interviews, many stakeholders mentioned the comparative poverty of Lake County relative to surrounding counties that are home to the resort towns of Vail, Avon, Aspen and Breckenridge.

Eagle County	\$ 73,774
Pitkin County	\$ 71,060
Summit County	\$ 64,521
Park County	\$ 60,800
Gunnison County	\$ 51,371
Chafee County	\$ 48,528
Lake County	\$ 46,174

Source: US Census Bureau, 2014 ACS Survey

Table 1: Median Incomes of Surrounding Counties

Figure 3 is a graphical representations of the median incomes of surrounding counties provided in Table 1.

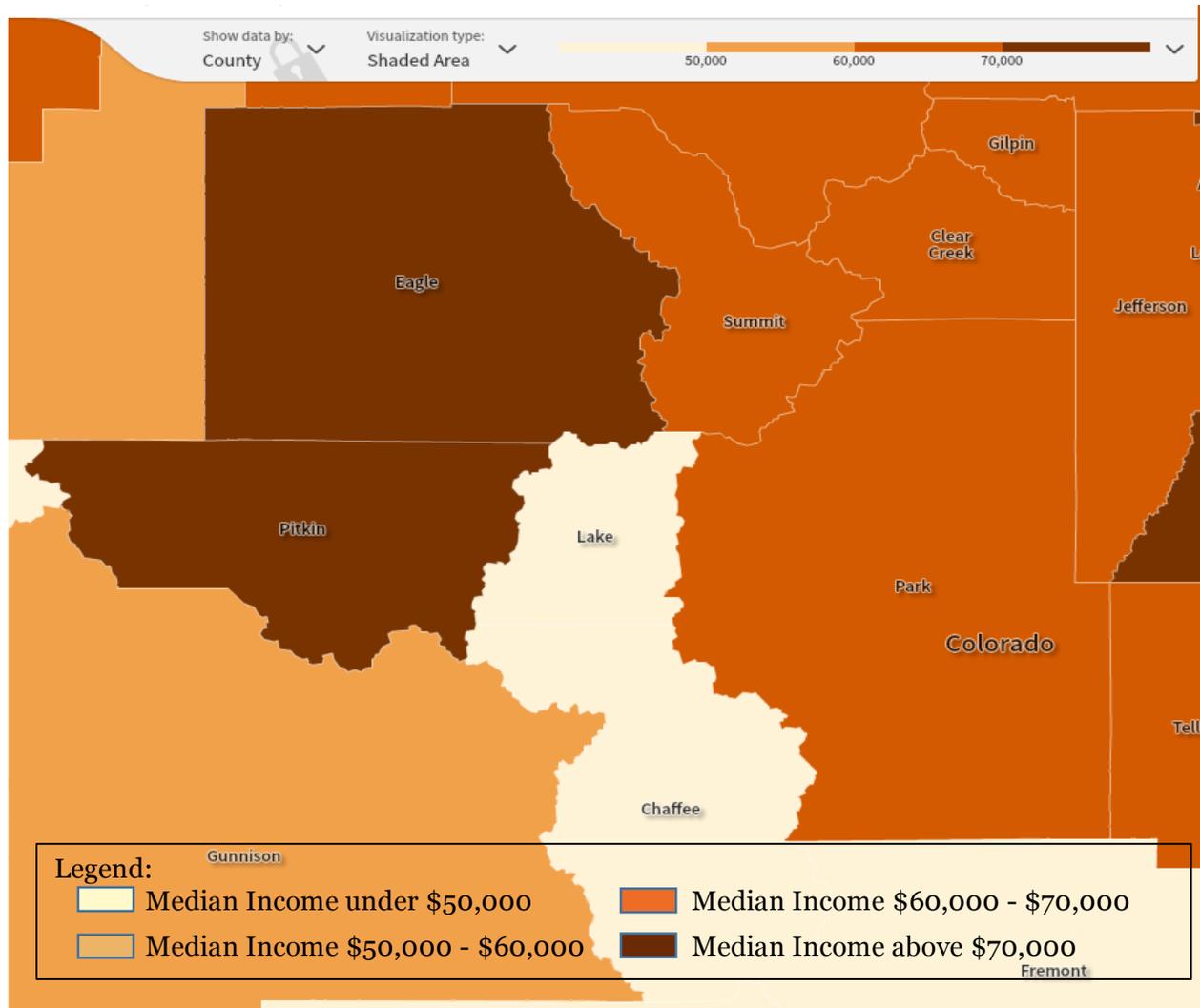
While median incomes are lower in Lake County than any of its contiguous neighbors, the differences between Lake, Chaffee and Gunnison counties is only 11%. Absent the \$4,000 increase in median wages from the opening of the mine, however, the gap would be 18%. Clearly, Lake County has the lowest incomes in the region and the gap would be much larger if not for the higher-paying jobs at the mine.

The root cause of the income disparity is found in the distribution of employment in industry clusters. Lake County has far larger percentage of its workers in lower-wage industries (like arts and entertainment, education, accommodation and food service) and has very small participation in higher wage sectors like manufacturing and transportation. Further analysis will be provided in the Industry Analysis section of the report.

Utilities

Following are the utility providers in Lake County:

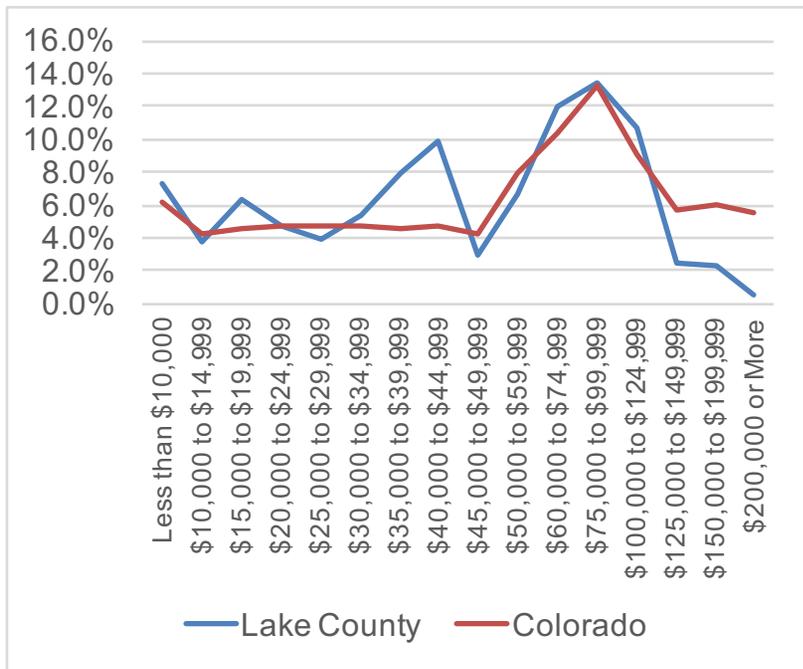
- Electricity - TXU Energy
- Electricity / Rural – Sangre de Cristo Electric
- Propane - AmeriGas
Ferrell Gas
Comfurt Gas
- Water - Parkville Water District



Source: US Census Bureau, 2014 ACS Survey

Figure 4: Surrounding Counties Median Incomes

As shown in Figure 5 a higher percentage of Lake County incomes are in the range of \$30,000 to \$50,000 compared to the State average while relatively few earners are above \$125,000. The very poor representation at the upper end of the income scale is indicative of an economy that is not appropriately structured to create wealth.



Source: US Census Bureau, 2014 ACS Survey

Figure 5: Household Income

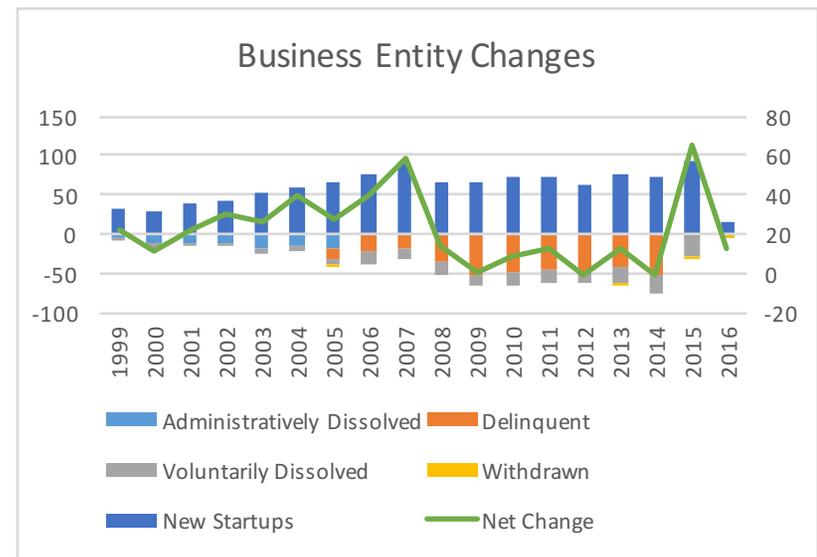
Business Formation

Increasingly, in the Information Age job growth will come from new businesses being created and growing existing businesses –

¹The Rise of the Creative Class, Richard Florida 2012

especially those run by the ‘Creative Class’¹. Studies have shown that cities that are “creative leaders”, or able to attract the creative class “generated jobs at more than twice the rate” as their peers².

Historically, Lake County has had a large number of new startups every year. On average, 50 businesses have started every year since 2003. However, during the period from 2008 to 2014 more businesses shut down than opened, resulting in a net loss in active businesses. 2015 was a good year for new businesses with a net gain of 60. See Figure 6 below.



Source: Colorado Secretary of State

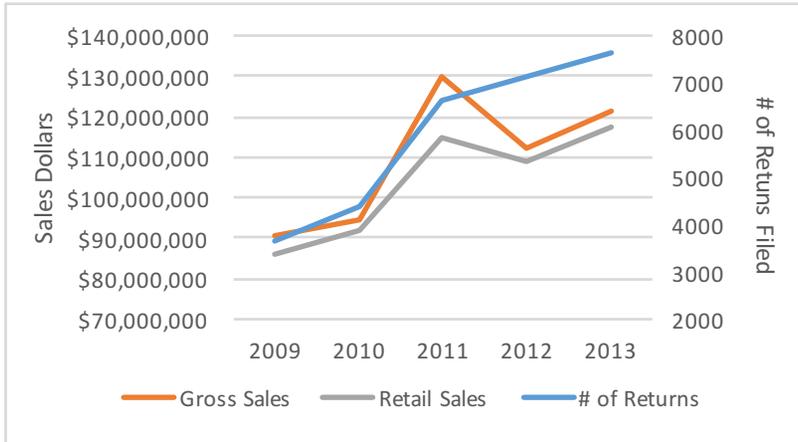
Figure 6: Business Entity Changes

The underlying challenges and possibilities for new startups will be a primary focus of the Phase II report.

² The Creative Class and Economic Development, Richard Florida, Economic Development Quarterly, 2014

Tax Revenue

The City of Leadville relies on sales tax for almost exactly 50% of its budgeted revenue³. The sales tax is collected by the County and then transferred to the City.



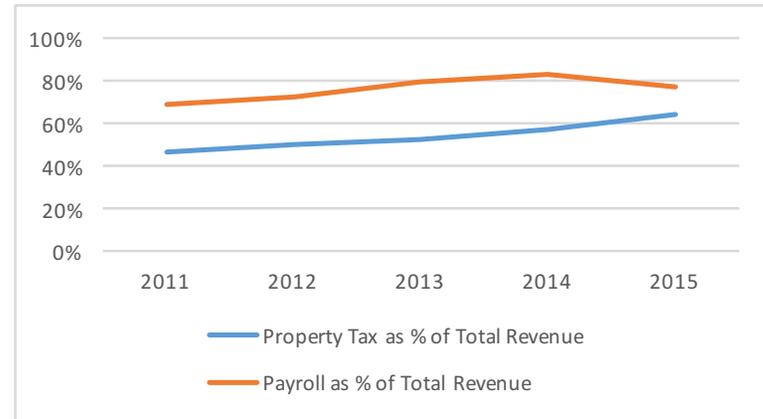
Source: Colorado Department of Revenue

Figure 7: Sales Tax Data

Figure 7 from the Colorado Department of Revenue illustrates the growth of the City’s sales tax receipts through 2013, the last year of information available. The overall growth and trend-line portray a picture of growing sales and an improving retail climate.

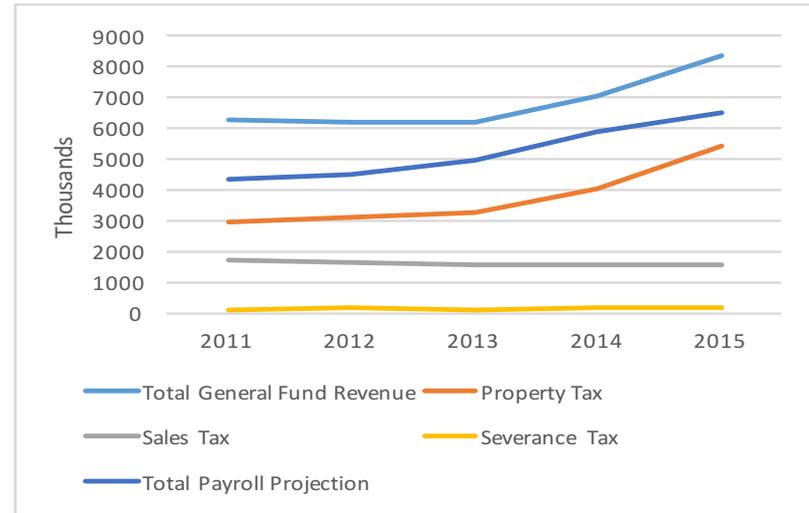
Lake County’s reliance on property tax has increased from 47% in 2011 to 65% in 2015 (see Figure 8). The County’s payroll has also increased from 69% to 78% of the budget.

One concern that was repeated in the interviews was whether the County was using the increased tax revenue from the Climax mine as a windfall or if it is reliant on that revenue for ongoing programs. The growth of both revenue and salaries is depicted in Figure 9.



Source: Colorado Department of Local Affairs

Figure 8: Property Tax and Payroll



Source: Colorado Department of Local Affairs

Figure 9: County Revenues and Payroll

³ City of Leadville 2015 Budget

Housing

A recurring theme during interviews was the shortage of housing and how second home buyers are buying most of the available inventory.

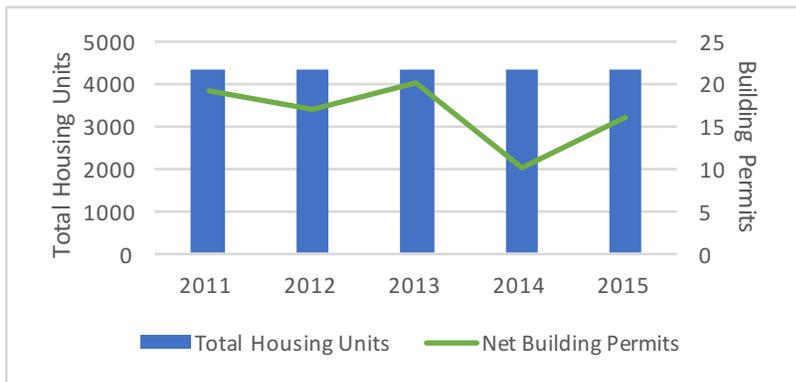
Table 2 shows that total housing units have increased by only 57 since 2010 – an increase of only 1.3% over the four year period.

Change in Housing Units			
2000	2014	Change	% Change
4,271	4,328	57	1.3%

Source: Colorado Department of Local Affairs

Table 2: Change in Housing Units

Figure 10 shows the change in housing units over the last four years since 2011 and the number of building permits issued each year. During these four years, the number of households grew by an average of 38 per year so building permits of 17 to 20 are only sufficient to provide for half of the families moving into the county.⁴



Source: DOLA and Lake County Building Department

Figure 10: Building Permits

⁴ US Census Bureau, 2010 and 2014 ACS Survey

One manifestation of a housing construction industry that is not keeping pace with demand is an aging housing stock. Table 3 shows the median age of homes in Lake County is 1963, which is 18 years older than the state average. Because new construction in Lake County has not kept up with the natural rate of growth, this age gap has grown over the past decade. The result is a significant undersupply of housing and a tightening housing market.

Median Year Built		
	Lake County	Colorado
Median Year Built - 2000	1960	1976
Median Year Built - 2014	1963	1981

Source: US Census Bureau, 2014 ACS Survey

Table 3: Housing, Median Year Built

The constrained supply has been exacerbated by the number of homes that have been purchased by second home buyers, who have their primary residence out of the County. Since 2000, the percentage of homes that are classified as vacant has increased from 23.9% to 30.4% according to the US Census (see Table 4). The Census categorizes vacancies as vacant lots, rental homes that are unoccupied, homes for sale and second / vacation homes.

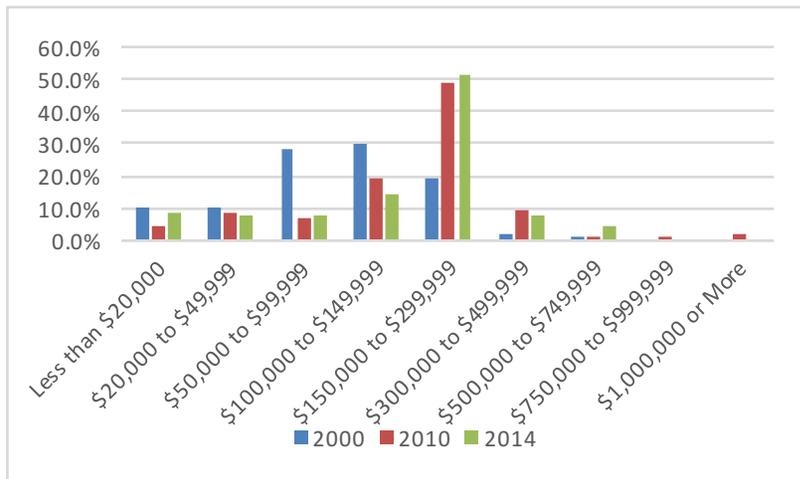
Occupancy Status			
	Lake County 2000	Lake County 2014	Colorado
Occupied	76.1%	69.6%	89.3%
Vacant	23.9%	30.4%	10.7%

Source: US Census Bureau, 2014 ACS Survey

Table 4: Home Occupancy Status

The increase in vacancy is attributable to an increase in second home owners as most lots are built on as they are developed, and rental vacancies have declined since 2000.

The tight housing inventory supply has had an inflationary impact on prices. The percentage of homes in each value range in 2000, 2010 and 2014 is shown in Figure 11. During this fourteen-year period, 32% of homes' value changed from between \$50,000 to \$149,999 to the \$150,000 to \$299,999 range.

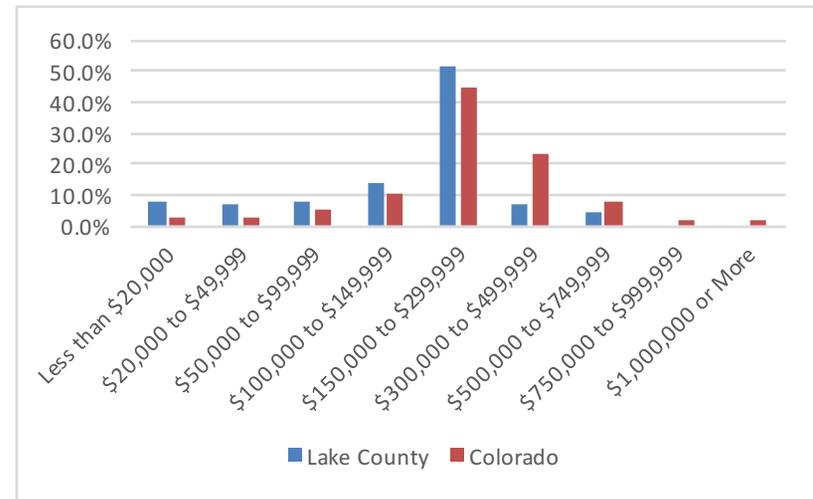


Source: US Census Bureau, 2014 ACS Survey

Figure 11: Housing Inventory by Value

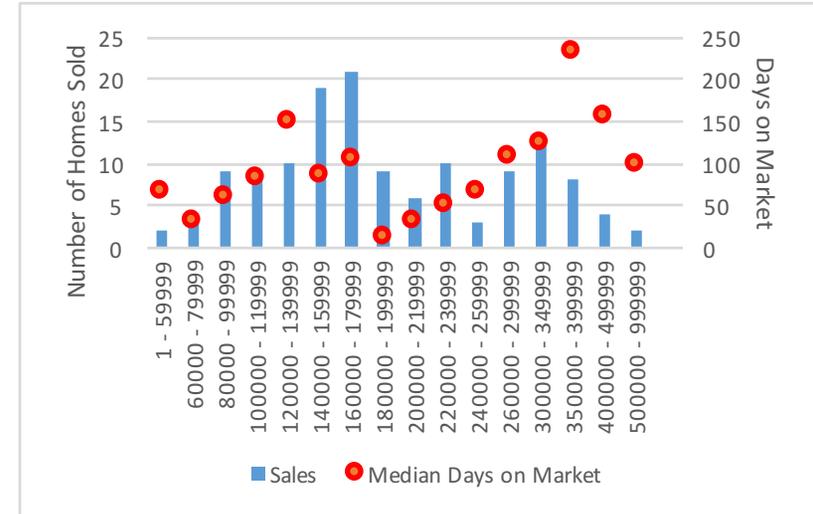
This significant price appreciation has brought Lake County valuations closer to state averages as seen in Figure 13, though fewer homes in Lake County exceed \$300,000 that in the rest of the state.

The median days on market in Figure 12 shows that homes in the \$180,000 to \$240,000 range sold quickly and were on the market less than 50 days. Almost 30% of homes listed are closed within 30 days – an astonishingly high rate and one that indicates pent up demand for housing in a supply constrained environment.



Source: US Census Bureau, 2014 ACS Survey

Figure 13: Lake County vs State Home Valuations



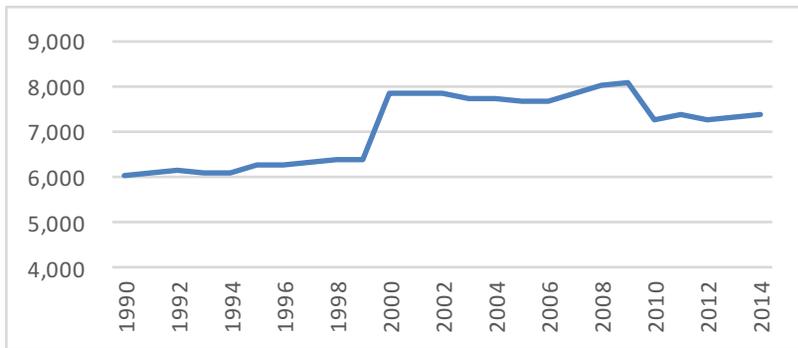
Source: Realtors of Central Colorado, Inc.

Figure 12: Home Sales

Demographic Trends

Population

Lake County’s population has increased steadily since 1990. The Census recorded a large adjustment in 2000 which was subsequently mitigated by a large downward adjustment in 2010 (see Figure 14). The overall trend is consistently upward.



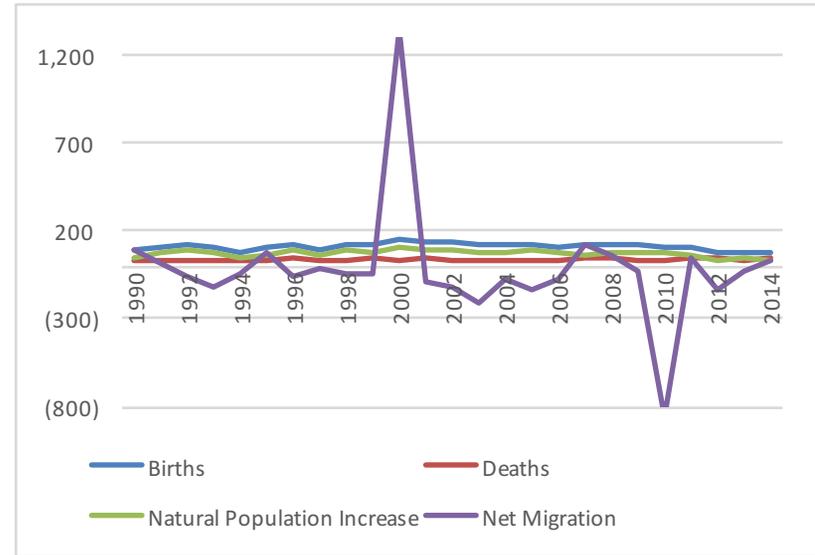
Source: Colorado Department of Local Affairs

Figure 14: Population Change

The constituent components of this growth is broken down in Figure 15. After 2010, the natural population increase, which is the difference between births and deaths, has averaged 49. This figure is roughly equivalent to the number of high school graduates each year so absent any net in-migration, the County’s population growth will be entirely dependent on the number of graduating seniors who remained in the County each year.

Unfortunately, net migration since 2010 has been negative and the 2014 ACS Survey by the Census Bureau estimates that the population has only grown by 96 since 2010.

In order to have a growing population, the County must retain more of its graduating students while also recruiting workers from outside of the area.



Source: Colorado Department of Local Affairs

Figure 15: Net Migration

Racial Composition

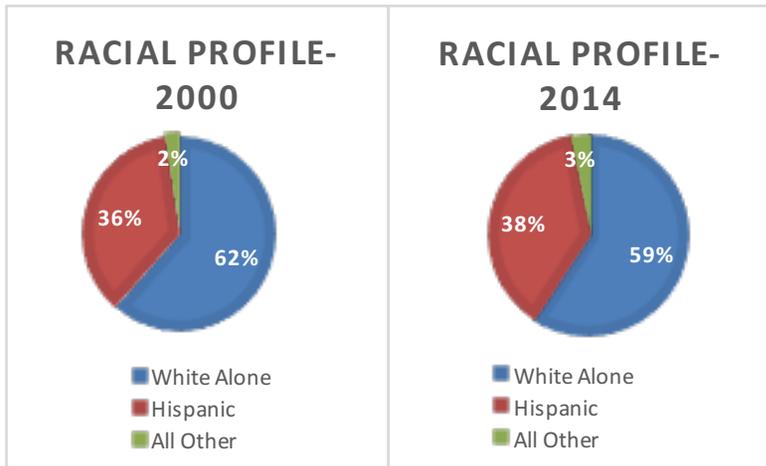
Lake County is more ethnically diverse than the State as a whole. Table 5 compares the number of Hispanics or Latinos in Lake County to the State as well as the foreign born. In all categories, Lake County has a far greater percentage of its population that is of Latin American heritage than the State average.

	Lake County	Colorado
Hispanic or Latino	37.8%	21.2%
Foreign Born	15.0%	9.7%
Not a Citizen	9.2%	6.1%

Source: US Census Bureau, 2014 ACS Survey

Table 5: Diversity

From Figure 16 it is evident that the County has had ethnic diversity for many years and the ratios have increased only slightly since 2000.



Source: US Census Bureau, 2014 ACS Survey

Figure 16: Racial Profile

Hispanic households in Lake County earn more than the State average as well as White Alone households (see Table 6). This is contrary to State and national trends which show Hispanic households earning less than median incomes. In Colorado, Hispanic households earn less than 71% of the median income.

	Lake County	Colorado
Hispanic or Latino Householder	\$50,417	\$41,982
White Alone Householder, not Hispanic or Latino	\$46,695	\$65,015
Hispanic HH Income as % of Average	108%	65%

Source: US Census Bureau, 2014 ACS Survey

Table 6: Median Income by Race

Hispanic households earn 39% of all the income in the County. During interviews with key stakeholders, there was little mention of the Hispanic community other than community service organizations. Similarly, aside from the Mexican restaurants and Safeway, there is no obviously apparent efforts by businesses to reach out to this significant demographic.

There were many anecdotal accounts of the Hispanic community making their purchases in other communities that cater to their needs better. This is especially true in health care where, apparently, there are no bilingual employees at any of the major health care providers.

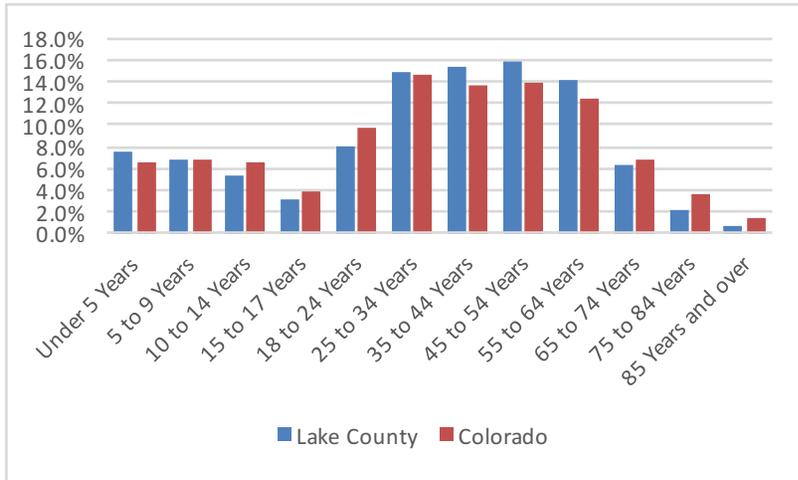
Lake County suffers from a subtle but real balkanization in housing, culture, communications and commerce where 40% of the population are effectively separated from the mainstream even though 85% of this subpopulation were born in the United States.

By not providing basic outreach, businesses and the health care industry are neglecting a significant market opportunity and are hamstringing the County's economic growth.

Demographic Characteristics

Lake County's population by age category in comparison to the State is shown in Figure 17. Lake County has a very healthy age distribution and is not beset by the gentrification of its demographic that is often seen in smaller communities. The County has an appropriate allocation of workforce aged demography and a strong pipeline of future workforce in the ranks of its school-aged population.

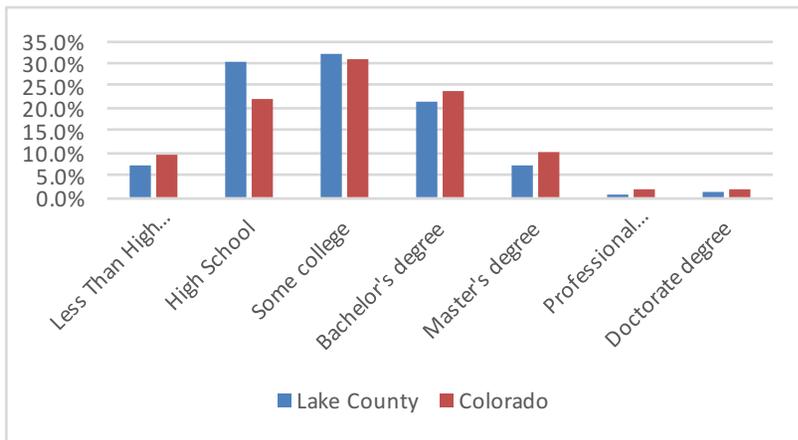
The distribution of educational attainment is shown in Figure 18. Lake County's workforce has 37% more high school only graduates than the state average and 19% fewer bachelor's or higher degree holders.



Source: US Census Bureau, 2014 ACS Survey

Figure 17: Age Distribution

The comparatively under-educated workforce in Lake County is a competitive disadvantage in an information-based economy. In order to grow into an economy that is best suited to compete in the 21st century, the County will have to attract in educated working professionals from outside of the area.



Source: US Census Bureau, 2014 ACS Survey

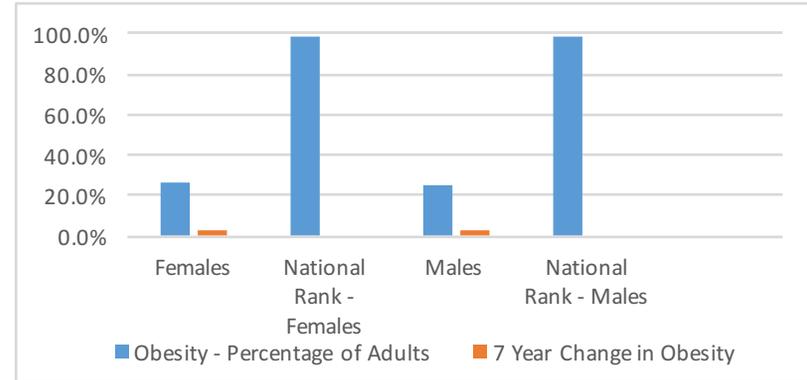
Figure 18: Educational Attainment

Heath & Wellness

An essential characteristic of what makes Lake County unique and special is its healthy lifestyle. In her book, “Healthiest Places to Live – Where You Live Makes a Difference”, Leadville resident Peggy Forney provides a very detailed and thorough analysis of the correlation between natural amenities (like weather, humidity, topographic variation and proximity to water), altitude, and physical activity and healthy outcomes.⁵

By her calculations, Lake County is the healthiest county in the United States with high scores for amenities, low obesity rates and low rates of inactivity.

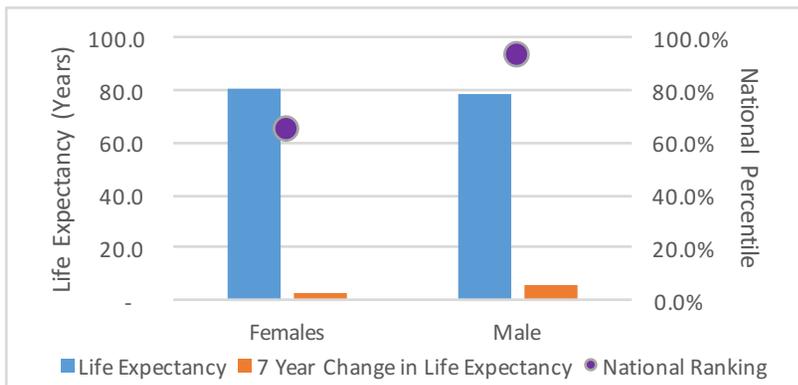
The Institute for Health Metrics and Evaluation (www.healthdata.org) publishes data for US Counties.



Source: Institute for Health Metrics and Evaluation, www.healthdata.org

Figure 19: Obesity

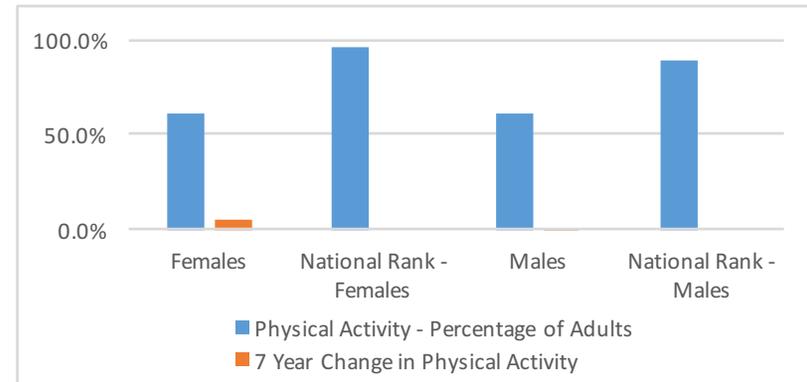
The reasons for the extended life expectancy are doubtless correlated to the low rates of obesity (see Figure 19) where females and males are in the 98th and 99th percentiles respectively and physical activity (see Figure 21) where they are in the 95th and 89th percentiles, respectively.



Source: Institute for Health Metrics and Evaluation, www.healthdata.org

Figure 20: Life Expectancy

Figure 20 shows that the life expectancy for females in Lake County is in the 65th percentile nationally while male life expectancy is in the 93rd percentile and has improved by 5.7 years over the past seven years.

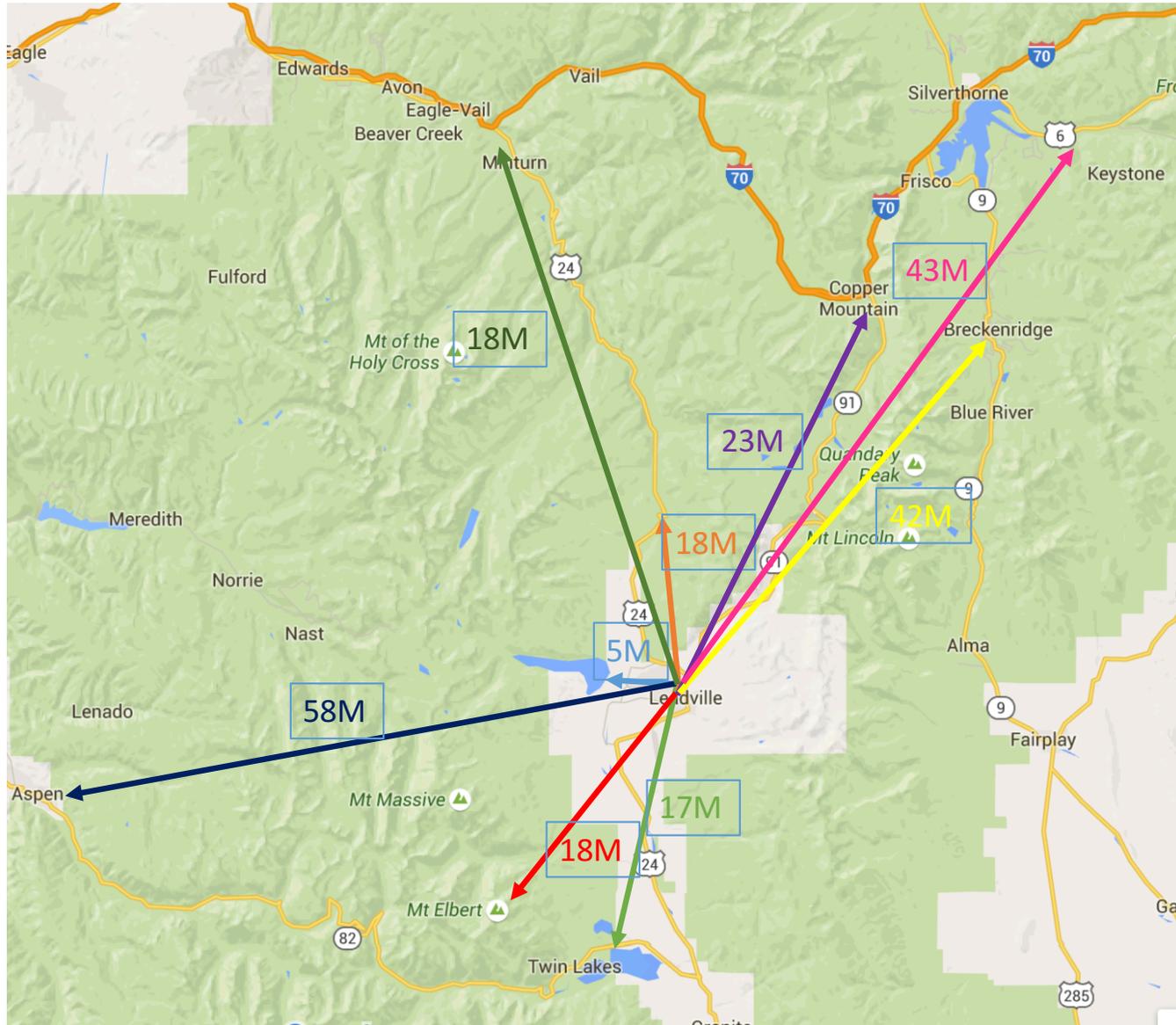


Source: Institute for Health Metrics and Evaluation, www.healthdata.org

Figure 21: Physical Activity

Ms. Forney has correlated the low rates of obesity to the extra physical exertions required for living at high altitudes while the

⁵ Healthiest Places to Live – Where You Live Makes a Difference



Source: Google Maps

Figure 22: Distances to Amenities

activity of Lake County’s residents can be correlated to the wealth of recreational opportunities and natural amenities that are so readily accessible.

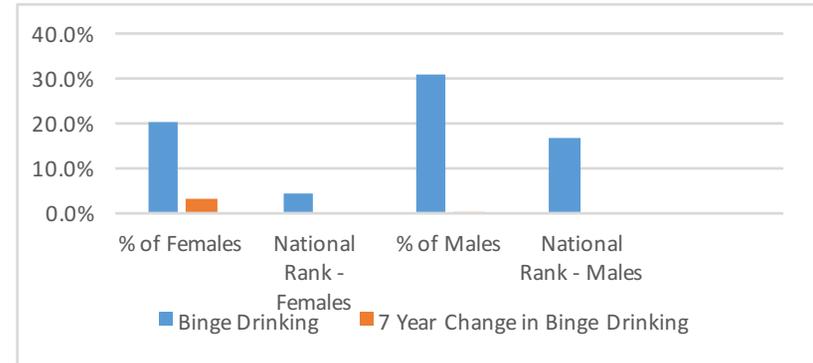
Figure 22 displays a map of Leadville with distances to surrounding amenities.

The distances from the County seat in Leadville are as follows (in miles):

- To nearest ski resort (SkiCooper) 18
- To 2nd nearest ski resort (Cooper Mountain) 23
- To nearest lake (Turquoise Lake) 5
- To 2nd nearest lake (Twin Lakes) 17
- To the highest peak in Colorado (Mt. Elbert) 18
- To an international airport (DIA) 145
- To the most beautiful scenery on the planet (Twin Lakes) 22

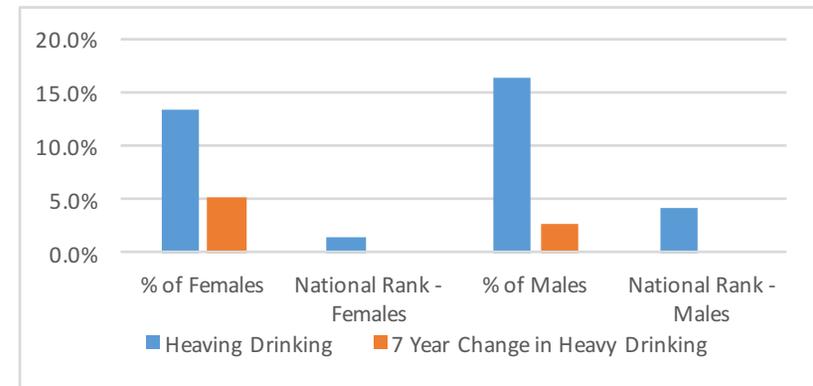
In addition to proximity to so many world-class recreational amenities, Leadville is encircled by the 13-mile mineral belt trail and there are literally more than 100 miles of groomed cross-country trails in the county and another hundred miles of hiking trails. Lake County is a paradise for those seeking an active outdoor lifestyle and its residents are rewarded with being the healthiest in the U.S.

The only blemishes on Lake County’s truly remarkable record of healthy living are binge drinking (where the women are in the 4th percentile and the men in the 16th – see *Figure 23*) and heavy drinking (1st and 4th percentiles – see *Figure 24*).



Source: Institute for Health Metrics and Evaluation, www.healthdata.org

Figure 23: Binge Drinking



Source: Institute for Health Metrics and Evaluation, www.healthdata.org

Figure 24: Heavy Drinking

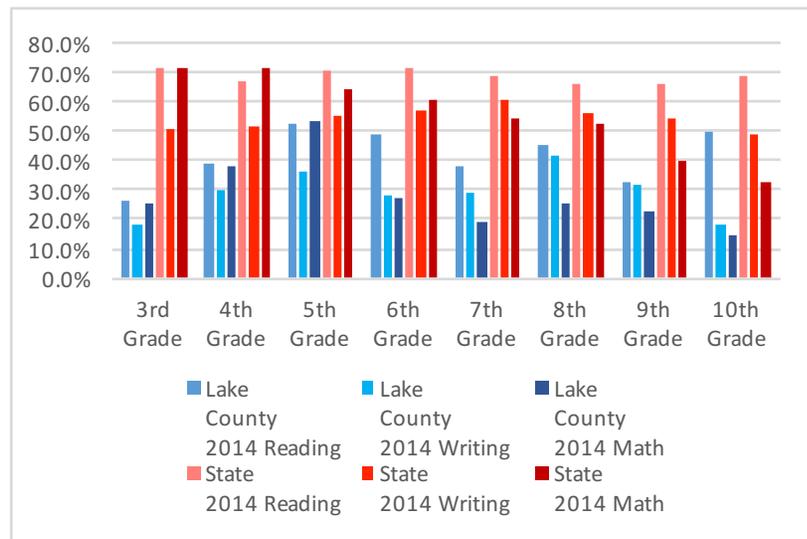
Education

Drawing capable, creative, entrepreneurial Millennial and Gen Xers to Lake County will be critical to expanding and diversifying the economy. During the course of the community interviews, the single most-cited impediment for attracting and retaining this demographic to the area was the quality of Lake County schools.

There is a wide-spread perception in the community that the schools perform poorly academically and that bullying is pervasive.

This section provides empirical analysis of the data to quantify the academic results of the district as well as data about bullying.

Academic Achievement Gap



Source: Colorado Department of Education

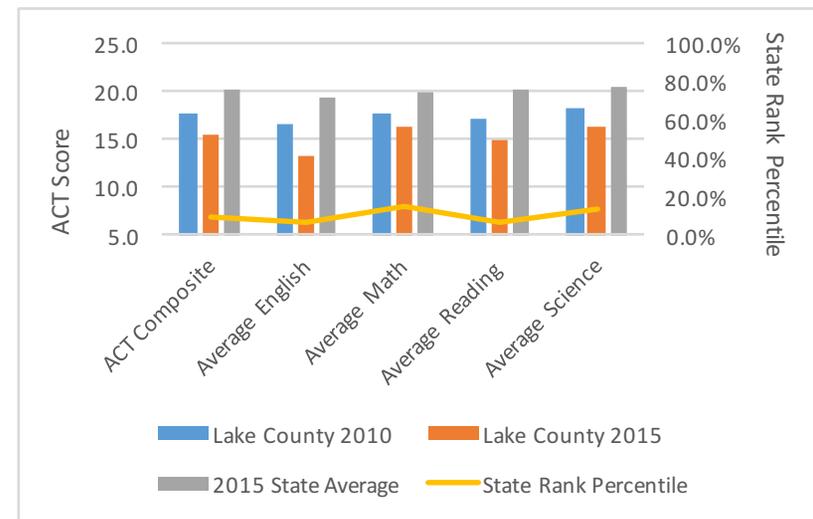
Figure 25: Proficient and Advanced Attainment by Subject

The percentage of Lake County students (in blue) who have attained either “Proficient” or “Advanced” results on standardized subject tests and compares those to the state averages (in red) is

shown in Figure 25. In every subject in every grade, a smaller percentage of Lake County students exceed the minimum standards than the state average.

In reading 27.4% more Lake County students have below proficient subject mastery than the state average, 25.1% more in writing and 28.0% in math.

There are only 3 categories (5th and 10th grade reading and 5th grade math) where at least 50% of the students are proficient while there are only 3 categories where the state average is below 50%.



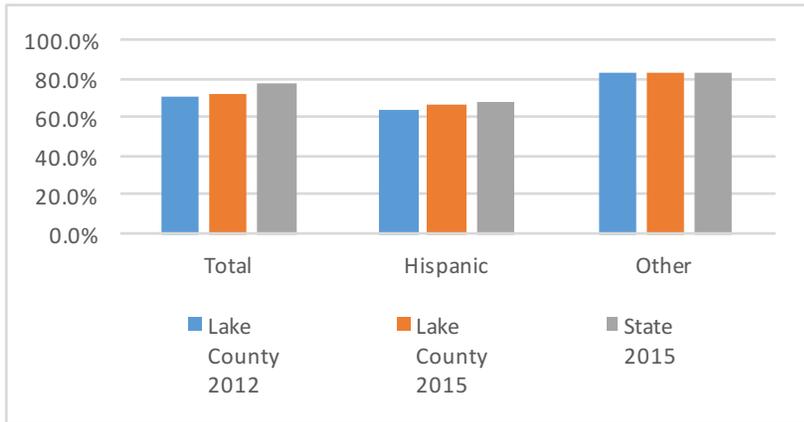
Source: Colorado Department of Education

Figure 26: ACT Scores

Figure 26 shows the performance of Lake County students on the ACT college entrance exam. The total composite score of Lake County students is at the 9.9 percentile for districts in the state.

It is important to understand the impact of socio-economic factors on academic outcomes. The graduation rates by race are found in Figure 27. At both the state level and in Lake County, the

graduation rate of Hispanics lags the cohort of all other students by 16 percentage points. It should be noted that in Lake County 3.3% more Hispanic students graduated in 2015 than in 2012 and that graduation rates are almost identical to state averages.



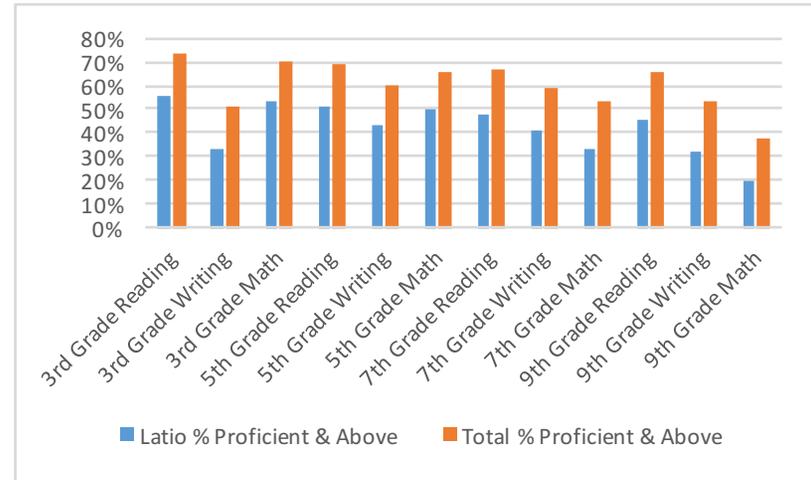
Source: Colorado Department of Education

Figure 27: Graduation Rates by Race

In each category the graduation rates of Lake County students are within 1% of the state average so the reason that Lake County underperforms in overall graduation is largely because it has a disproportionate population of Hispanic students.

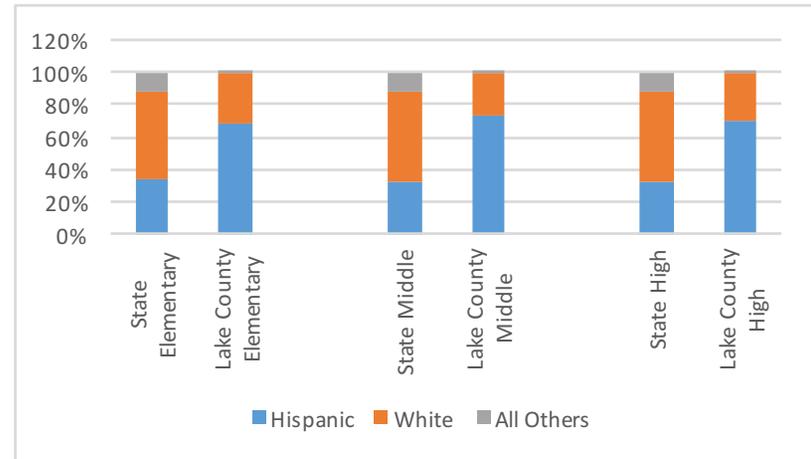
The achievement gaps of Hispanic students versus the state average in subject mastery is depicted in Figure 28. On average, 18% more children in that demographic category are not subject matter proficient.

Figure 29 illustrates the disproportionate representation of Hispanic students in Lake County Schools. Whereas on average in Colorado schools Hispanics make up 33% of the population, they are 71% in Lake County.



Source: Colorado Department of Education

Figure 28: Student Proficiency by Race



Source: Colorado Department of Education

Figure 29: Racial Composition by School

The evidence suggests that a large component of the achievement gap of Lake County Schools is attributable to having twice as many Hispanic students as the state average. As a group,

Hispanic students have historically performed at a lower level than the average, though the gap is narrowing in Lake County.

The other way to analyze student achievement gaps is to consider economic status. Table 7 compares the achievement levels of students in Lake County by their economic status to the state. So while 33% fewer economically disadvantaged students in Lake County are proficient than their counterparts, the gap is only 13% when compared with the state average for disadvantaged students.

Proficient Disadvantaged Students	22.1%
Proficient Non-Disadvantaged Students	55.5%
Gap: Disadvantaged and Non-Disadvantaged	-33.3%
Gap: School and State Among Disadvantaged	-13.3%

Source: US News & World Report

Table 7: Proficiency by Economic Status

The percentage of free and reduced lunches provided to families in the District is shown in Table 8. The state average is 42% participation so again the Lake County District is challenged by having a disproportionate percentage of their population in a demographic category that historically underperforms.

Economically Disadvantaged Students	Elementaries	Middle	High
Free Lunch	47%	62%	51%
Reduced-Price Lunch	12%	14%	14%
Total Disadvantaged	59%	76%	65%

Source: Publicschoolreview.com

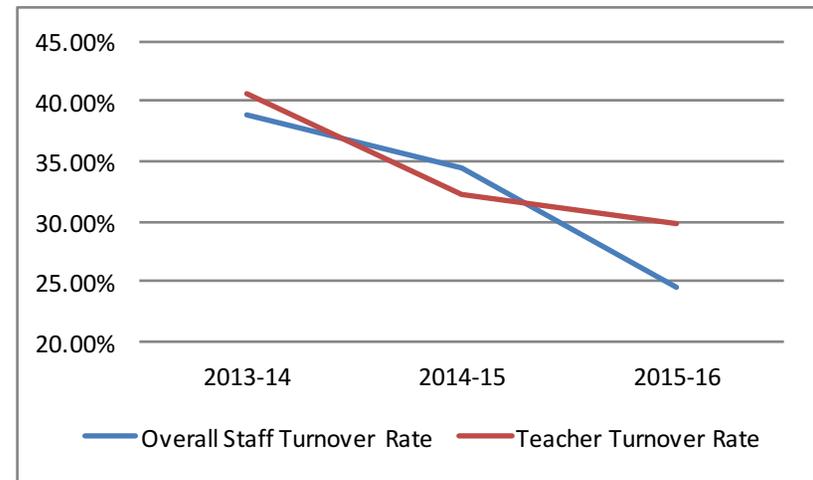
Table 8: Economically Disadvantaged Students

This point is critical. Economically disadvantaged students in Lake County underperform their peers by 33.3%. A much higher

proportion of Lake County students than the state average - between 59% and 76% of students at each school - are economically disadvantaged and students challenged by those economic circumstances perform on average at a lower level than their peers. Keeping in mind the demographics of the students being taught is critical when making comparisons to the state.

Staff Turnover

Several people that were interviewed felt like staff turnover was abnormally high in Lake County and that the number of new teachers every year was a challenge.



Source: Colorado Department of Education

Figure 30: Staff Turnover

In the 2014-2015 school year, Lake County Schools became Expeditionary Learning schools and introduced a new teaching paradigm. Any new program requires a new approach to teaching and instruction and in many cases the changes required for Expeditionary Learning were significant. Not all teaching professionals are willing or able to make the required changes so some level of turnover was natural. For the most recent year,

however, teacher turnover is nearly identical to the state average of 29.9%

While there was significant and predictable turnover directly following the introduction of Expeditionary Learning, teacher turnover at Lake County Schools has fallen dramatically over the past two years and is now well within industry norms.

Bullying

There were several instances where interviewees mentioned the safety of their children as a significant concern or the primary reason they had transferred their children from the County’s schools.

Table 9 is a distillation of some of the key responses from Lake County High School 10th and 12th grade students to the State’s Healthy Kids Survey. Most of the dozens of questions deal with issues that happen off the school grounds (for example: drug and alcohol abuse, sexual activity, smoking, screen time and obesity). It is notable that students of Lake County School fare worse than the state average in most of these metrics. This observation correlates with the concerns expressed by many social service professionals during their interviews about the state of families in the County. It is in the context of these concerns about the broader status of families and the home life of students that the school data should be considered.

The survey questions that are most relevant to the schools are:

- “Skipped school in the past 30 days for safety concerns” where there was a 25% improvement over the past three years and the Lake County positive responses are within 2.1 percentage points of the state average,
- “Bullied at school in the last 12 months” where there was a 31% increase over 2012 and 7.9% more Lake County students report being bullied than the state average. It is instructive to note, however, that Lake County’s student responses to this question are nearly identical to both Summit and Eagle County students.

- “Offered drugs at school in the last 12 months” where the responses have not only improved but are 42% lower than the state averages and nearly 50% lower than in Summit County.
- “Often / always hate being at school” where the responses showed a remarkable 25% improvement in two years and is now better than the state average.
- “Feel safe at school” where Lake County Schools showed a 4% decline and fell slightly below the state average.

Metric Description	Lake County High School 2012	Lake County High School 2014	Co High School Average
Skipped school in past 30 days for safety concerns	9.7%	7.3%	5.2%
Bullied at school in last 12 months	21.2%	27.9%	20.0%
Offered drugs at school last 12 months	12.0%	10.6%	15.7%
Often / always hate being at school	41.4%	31.8%	32.6%
Feel safe at school	88.8%	85.1%	89.5%

Legend:

- Red Metric Description = 5% worse than state average
- Green Highlight = Improvement since 2012
- Red Highlight = Regression since 2012

Source: Healthy Kids Colorado Survey, Colorado School of Public Health

Table 9: Healthy Kids Survey

The inherent challenge with questions of this sort is that they are based on perceptions and definitions. It is impossible to know, for example, how the students define bullying and if that definition is consistent across schools and over time.

Of all the metrics the increase in bullying in Lake County over the last two years, is perhaps the most troubling but also needs to

viewed in the context of the larger social issues and the correlation to increases in surrounding school districts.

One oft-repeated assertion was that the District is not doing enough to confront the problem. The evidence indicates otherwise. In 2014-15, 120 incidents of school discipline were recorded including 47 out of school suspensions and 22 referrals to law enforcement. By contract, Buena Vista School District had 43 disciplinary actions and no referrals to law enforcement.⁶ It is clear that the Lake County School District is taking discipline issues seriously and administering discipline to address the problems.

Ensuring the safety and well-being of the students in its charge is the most fundamental responsibility of a school. Clearly the perceived problem of bullying at Lake County Schools is real. It is important to note, however, that the district is aggressively addressing the problem, including a new anti-bullying program that is being rolled out, and Lake County Schools are no worse than surrounding districts in this area.

Transfers from Lake County

A number of the community stakeholders that were interviewed have removed their children from Lake County Schools. Considering that the interviewees are the leaders of the county and invested in its success, their decision to remove their children from the local schools is significant.

School District	Transfers In	Transfers Out	Net	% of Total
Aspen	251	13	238	13.8%
Summit	113	31	82	2.3%
Buena Vista	92	19	73	7.2%
Eagle County	39	17	22	0.3%
Roaring Fork	270	288	-18	-0.3%
Park County	105	140	-35	-5.7%
Lake County	4	172	-168	-15.6%

Source: Colorado Department of Education

Table 10: Student Transfers

The number of students whose home is in one district and who attend school in another is shown in Table 10. While every district has some level of transfers, the magnitude of the transfers is much larger in Lake County than in other districts, especially when expressed as a percentage of the total student population. Almost 16% of the school-aged children in the County are attending other school districts.

The racial breakdown of the students leaving has evolved over time. In 2013 the departing students were predominantly white but in 2015 more minority students were leaving. See Table 11.

	White	Hispanic	Multi Ethnic
2013-14	27	9	3
2014-15	33	18	2
2015-16	25	29	1

Source: Lake County School District

Table 11: Transfers by Race

⁶ Colorado Department of Education

Anecdotally, it appears that the majority of the students who live in the Twin Lakes area - that is almost equidistant between Buena Vista and Lake County schools – attend school in Buena Vista.

District Efforts

The School district has been actively working towards better academic and social outcomes for its students. Following are some of the programs and successes of the schools:

- *Expeditionary Learning.* In 2014 the District engaged consultants to initiate the Expeditionary Learning model in the schools. This approach focuses on increasing student engagement and rigorous learning in addition to developing positive school cultures.
- *Healthy Schools.* The District is an active participant in the Colorado Healthy Schools initiative that encourages physical activity and good nutrition. The following schools garnered state-wide awards in March:
 - Lake County Intermediate won the Governor’s Award for School Health and Wellness and the \$7500 Platinum Award.
 - West Park Elementary won the \$500 Excellence Award.
 - Lake County High School won the \$1000 Bronze Award,
- The District has instituted School Based Health Centers to meet the physical, psychological and emotional needs of the students – especially the economically disadvantaged.

Community Efforts

In addition to the School District itself, there are other organizations which have significant involvement with school-aged children. These organizations are staffed by engaged and caring professionals who have been very successful in securing funding and initiating programs. Full Circle and Build A Generation are among the most active of these organizations.

Full Circle specializes in alcohol and drug abuse prevention and works with youth on intervention and prevention.

Build A Generation has a broad range of programs that it administers and included among them are safe routes to school, healthy eating, substance and tobacco abuse prevention, out of school-time programming, school-based health clinics and pre-collegiate intervention. Build A Generation has been awarded a GoCo Inspire Grant of between \$1M and \$5M. This grant is to be used to connect Lake County youth and families to nature.

In addition to these community organizations, Lifetime Fitness provides a \$1000 scholarship to every college-bound senior at Lake County High School.

Other Education Organizations

There are two other organizations in Lake County that provide educational experiences. These companies bring individuals from around the world to Lake County, exposing them to its natural beauty and many amenities. They are also significant employers and contribute to the local economy.

The High Mountain Institute offers educational programs enriched by experiences with nature. Course offerings include courses for high school and college-aged students. The institute offers scholarships for local students.

Outward Bound offers nature-based team building and leadership courses to businesses throughout the world and brings many hundreds of visitors to Lake County every year.

Industry Analysis

This section reviews the different industries of the County and analyzes their growth and size relative to the state. These analyses can help to identify sectors where Lake County has strategic or historical advantages and opportunities for future expansion.

Location Quotient

Methodology

Employment Location Quotient (LQ) is a method of quantifying the concentration of an industry cluster in an area compared to the State average.

LQ's are calculated as shown below.

Location Quotient (LQ) =

$$\frac{\text{Local Proportion}}{\text{State Proportion}}$$

Local Proportion =

$$\frac{\text{Wages paid in Industry X in County}}{\text{Wages paid in County}}$$

State Proportion =

$$\frac{\text{Wages paid in Industry X in State}}{\text{Wages Paid in State}}$$

For example, in 2014, workers in the County received total wages of \$107M and workers in the in the arts, entertainment and recreation industries received wages of \$4.2M resulting in a local proportion of 3.9%. For the same period, Colorado workers received \$176,426M in wages of which \$2,143M was paid to workers in the arts, entertainment and recreation industries for a state proportion of 1.3%. The LQ is derived by dividing the 3.9% local proportion by the 1.3% state proportion resulting in a Location Quotient of 3.0. This indicates that the concentration of

arts, entertainment and recreation jobs in the County is approximately 300% percent greater than the state as a whole. An LQ of 1.0 would mean that the local concentration of an industry is identical to the statewide concentration.

Industries with high LQ's (above 1.25) are typically export-oriented industries that are beneficial to a local economy because they bring outside money into the region. High LQ industries may also indicate a higher-than-average demand in an area. Industries that have both high LQ's and high job numbers typically form a region's economic base. Such industries not only provide jobs directly, but also have a multiplier effect, creating jobs in other dependent industries like retail trade and food services. Industries that are unable to support local demand typically have an LQ below 0.75.

Analysis

The LQ calculations for Lake County compared to the State is shown in Figure 31. The dashed lines in the figure represent the 1.25 and 0.75 thresholds described above. The most concentrated industries in the County are

- Mining and oil/gas
- Educational Services
- Arts, entertainment and recreation
- Government

The mining and oil/gas industry is a key source of outside revenue and its concentration in Lake County is predictable due to the abundant natural resources that are found within the County and the recent opening of the Climax molybdenum mine.

Although Education Services and Government have high LQ values, these industries are typically not significant sources of outside revenue coming into the County. Rather, these industries circulate and redistribute money throughout the County. They are not the building blocks of vibrant economies but rather provide the services necessary to keep society functioning.

The High Mountain Institute and Colorado Outward Bound are exceptions. These organizations, though in the Educational Services sector, are export industries that bring students from around the world to Lake County.

Similarly, because CMC brings students to Lake County from throughout the area, its revenues are export-related and is accretive to the local economy.

The industries that have significantly lower representation in Lake County than the State average are:

- Manufacturing
- Wholesale Trade
- Transportation & Warehousing
- Information
- Finance and Insurance
- Real Estate, Rental and Leasing
- Professional, Scientific and Technical Services
- Management of Companies

Unfortunately, most of these industries pay higher-than-average wages and are those that employ professionals and college graduates. Most of those industries are also export oriented.

In summary, Lake County’s economy has disproportionate representation among service-oriented industries that have limited potential for expansion and with the exception of the Mining industry is underrepresented in white-collar industries and those which produce

goods and services for export outside of the County.

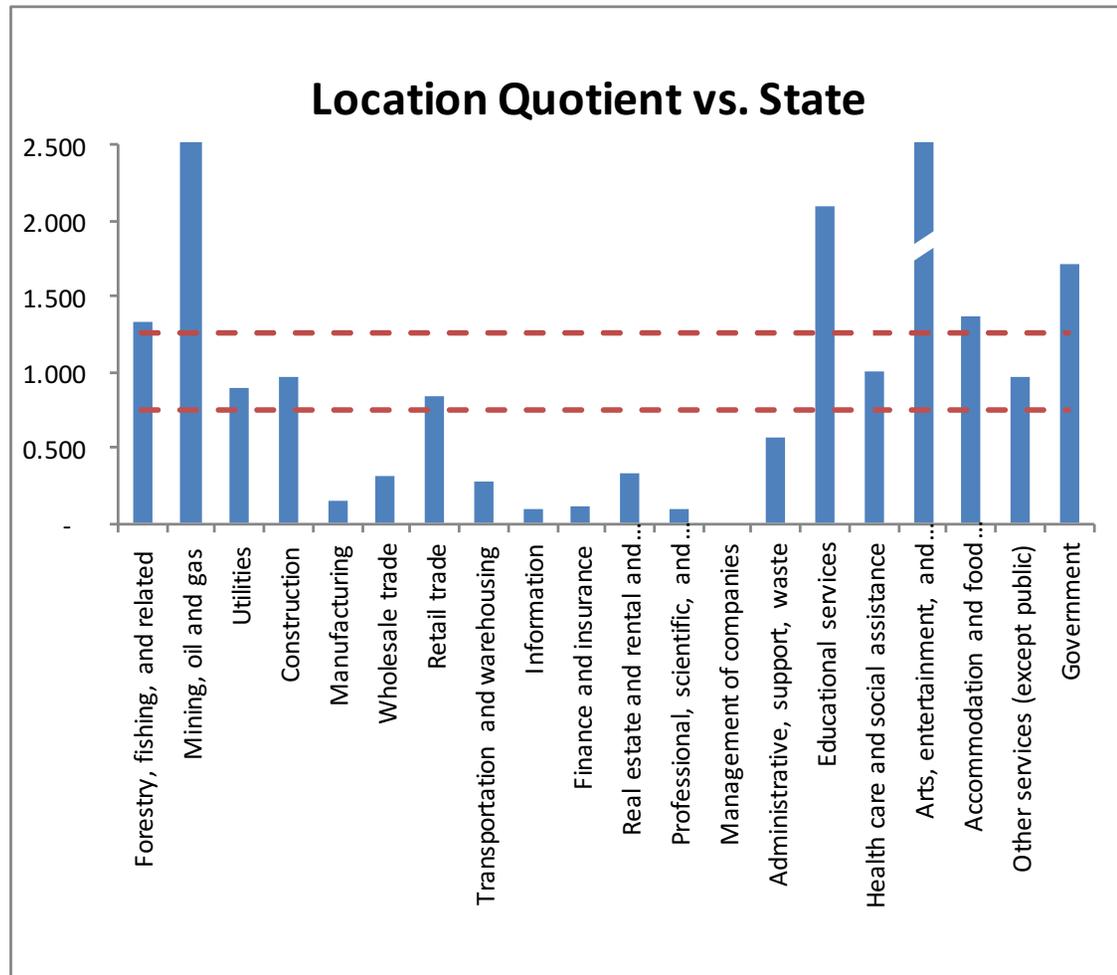


Figure 31: Location Quotient

Source: US Bureau of Economic Analysis

Shift-Share Analysis

Methodology

Shift-Share analysis is a method of dissecting job growth into its constituent parts to better detect the factors contributing to growth. The analysis uses 2010 and 2014 as reference years and identifies the following three components:

State Share

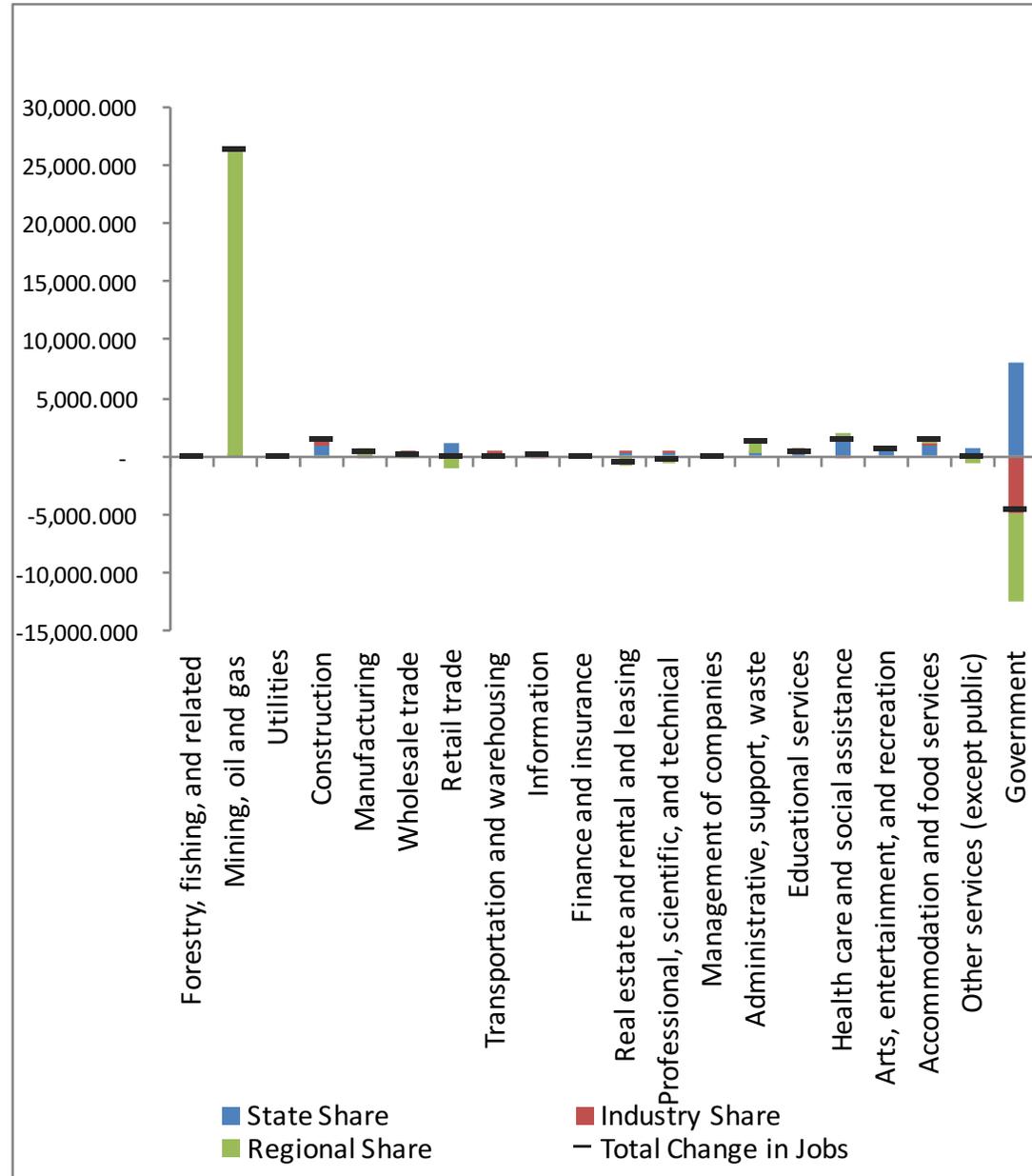
State Share is the portion of job growth that can be attributed to overall economic growth that has occurred from 2010-2014 in the State of Colorado. It is calculated by multiplying the wages paid in the local area at the beginning of the time period by the Statewide growth rate. The calculation produces the level of wages that are expected to be gained (or lost) if the County experienced the same overall growth rate as the State.

Industry Share

Industry Share represents the portion of an industry's wage growth in an area due to that industry's statewide expansion or contraction. It is calculated by multiplying the wages in the local area at the beginning of the time period by the Statewide growth rate for the specific industry, and subtracting state share.

Local (Regional) Share

Local Share is the most important component of wage growth for local economic development. It highlights the change in employment that is due to an



Source: US Bureau of Economic Analysis

Figure 32: Shift Share

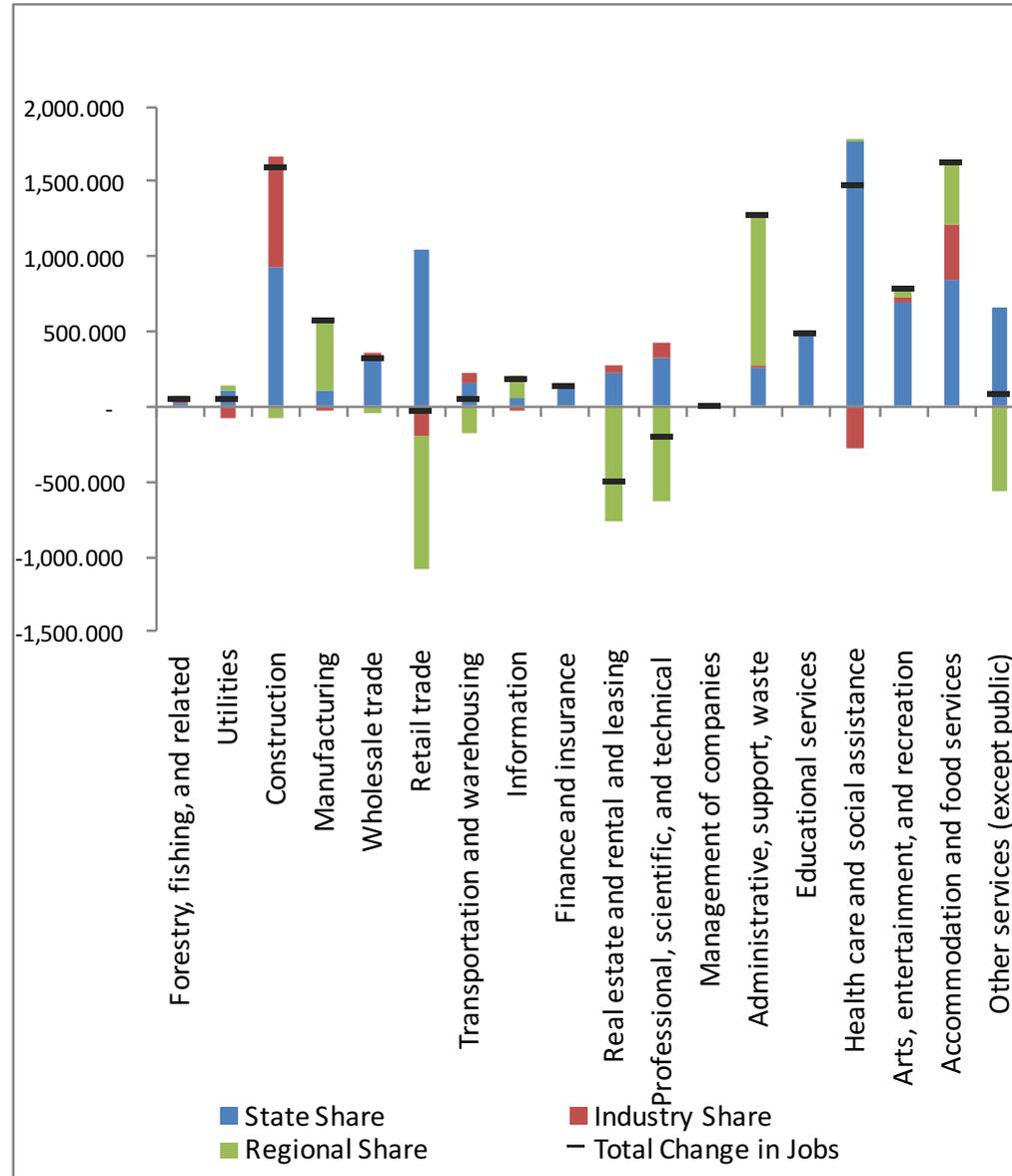
area's competitive advantages in a particular industry. It is calculated by subtracting industry mix and state share from the total increase or decrease in wages in each selected local industry.

Analysis

The Shift-Share analysis for Lake County is depicted in Figure 32. The most striking observation is the dominant role the Mining and Government industries play in the County. So great is the magnitude of their contribution to the economy that they obscure all other industries.

The growth in the mining industry in Lake County is nearly all attributable to local factors. This finding is self-evident. The opening of the Climax mine had little to do with industry nor overall state-wide economic growth but was purely a decision by the Freeport McMoRan corporation to reopen the Leadville operation.

By contrast, the Government sector is more complex. The overall growth in the state economy should have produced significant growth in the sector but the industry as a whole actually declined so the net effect should have been wage growth of \$3.0M. The fact that County Government wages decreased by \$4.5M indicates that payrolls decreased by \$7.5M due to local factors – primarily local austerity measures.



Source: Bureau of Economic Analysis

Figure 33: Shift Share without Mining and Government

A Shift-Share analysis that excludes Government and Mining so the scale can be reduced and other industries analyzed is provided in Figure 33.

The three industries that have significant positive local (Regional) share changes are Manufacturing, Administrative, Support and Waste and Accommodations and Food Services.

The positive change in Manufacturing is attributable to the success of Melanzana and Freeride Systems/ Prospect Pants. The importance of the success of these two companies cannot be overstated as they have proven that high end manufacturing can be done profitably in Lake County. They have also leveraged the “Leadville” brand to add cachet to their products.

The increase in Administrative, Support and Waste is not attributable to any single discernible factor. More research will be provided as part of the Phase II analysis. The declines in Other Services and Government may be due to reclassification of some business to this sector.

Accommodations and Food Services grew from every factor as that sector is becoming a more important part of both the state and local economy. The growth in the hospitality industries is indicative of the increasing recognition of Lake County’s matchless amenities and increased commercial opportunities. Some of the increase in employment in these industries is also due to workers who work in surrounding resort communities and live in Lake County.

The four industries that had significant negative local share changes are Retail Trade, Real Estate and Rental and Leasing, Professional Scientific and Technical, and Other Services.

Because Other Services is a catch-all of remaining industries that don’t fit neatly into other categories, it is not possible to determine the specific business(es) behind the declines.

The local decline in Retail Trade is primarily due to retail leakage. The increases in hospitality should have driven positive changes in retail employment but those increases were of smaller magnitude than the losses to retailers outside of the County. More analysis of retail leakage will be part of the Phase II report.

The declines in retail wages are dichotomous, however, because retail sales tax receipts by the County actually increased from 2010 to 2014. 15 less people were employed in the sector despite positive revenue growth.

The declines in wages in the Real Estate and Professional sectors are troubling because these industries provide higher waged jobs.

The real estate market had a very robust year in 2014 and added one additional employee so the increased commissions earned were offset by decreased compensation in leasing and rentals. The shortage of housing inventory is limits the opportunities for expansion in this sector and is constricting growth.

The Professional services sector actually added 11 jobs from 2010 to 2014 but the total payrolls declined by \$197,000 resulting in a decline of \$2,100 per year for each position.

Industry Cluster Analysis

Methodology

Shift share and location quotient measures can be combined into a matrix analysis to provide a more comprehensive view of the local economy. The analysis plots industries in a two-by-two matrix with the natural logarithm of location quotient on the x-axis and job growth as represented by regional shift on the y-axis. The size of each industry bubble in the matrix represents the total amount of wages paid in the industry within the County. Similar analysis can be performed using other measures for job growth and industry concentration; however, regional shift and the natural logarithm of the location quotient provide advantages over other variables. These advantages are shown in Figure 34.

Other Variables	Better City Variant
Y-Axis: Industry Job Growth Rate	Y-Axis: Regional Shift as calculated using Shift Share Analysis. Advantage: This method shows the growth that is due to inherent strengths in the region, excluding growth due to statewide and industry trends.
X-Axis: Location Quotient	X-Axis: Natural Logarithm of Location Quotient Advantage: Large outliers can cause apparent clustering of other industries. This variable depicts the differences between LQs, but on a comparable scale. With this measure, an industry with a concentration equal to the state average would have a value of 0 rather than 1.

Figure 34: Better City Industry Cluster Matrix Variables

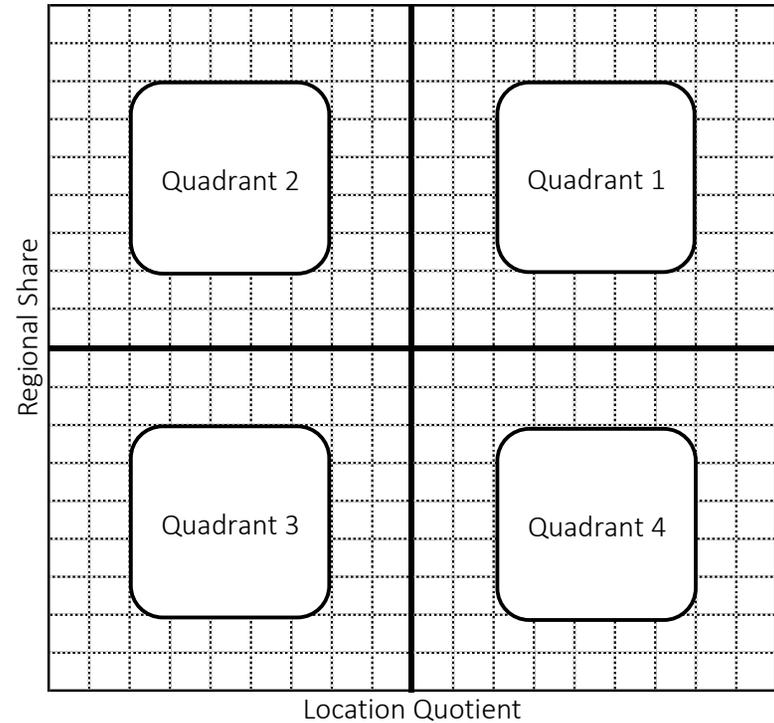


Figure 35: Industry Cluster Quadrants

In this analysis, industries will fall into one of four quadrants, as shown in Figure 35.

Quadrant One: Industries in this quadrant are concentrated in the region and are growing due to regional advantages. Large industries in this quadrant distinguish the regional economy as they increase workforce demand. Small industries in this quadrant are possibly emerging exporters that should be developed.

Quadrant Two: Industries in this quadrant are growing over time, but are still less concentrated than the state average. Depending on the industry, they may settle at the state average or continue to grow and move into Quadrant One.

Quadrant Three: Industries in this region are less concentrated than state averages and are losing ground. Such industries may face significant competitive disadvantages in the area.

Quadrant Four: Industries in this quadrant are declining, but are still more concentrated than the state average. If a large industry is in this quadrant the region is often losing its export base. The County should plan and invest accordingly.

Figure 36 shows the Industry Cluster for Lake County. As with the other industry analyses, the size of the Government and Mining industries relative to all others distorts their relative importance.

Figure 37 shows the same Cluster analysis but excludes the Government and Mining sectors.

The analyses again reinforce the County's disproportionate reliance on the Government and Mining sectors. In both cases, the location quotient places them to the right of the vertical axis meaning that they constitute a greater percentage of Lake County's economy than the state average.

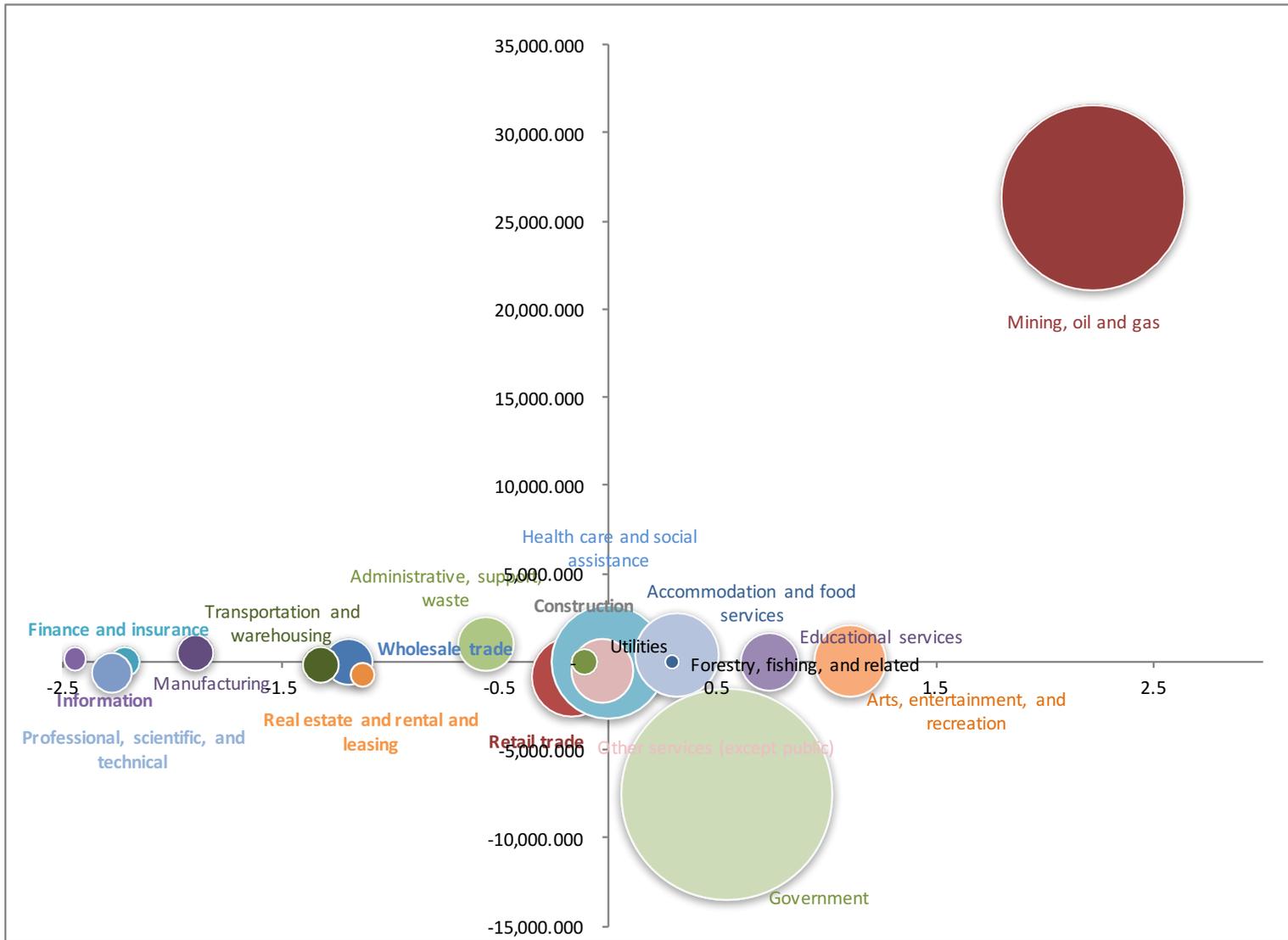
While the Mining sector provides higher-waged jobs, it should be considered an ancillary industry due to its volatility.

Because the Government sector takes revenue from the community it serves, it is redistributive rather than accretive.

Over-reliance on Government for wages is a net negative for a local economy.

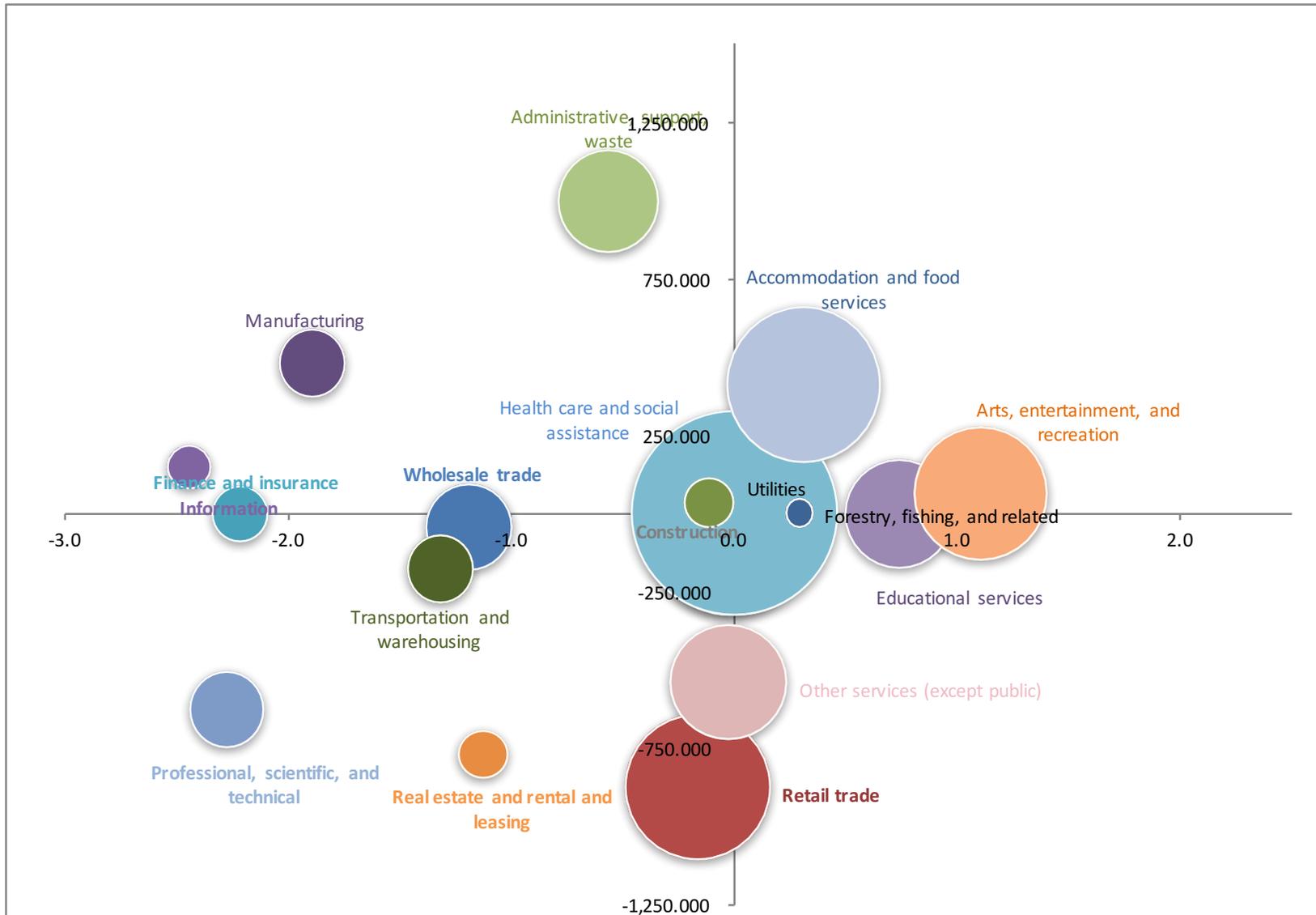
The only two industries outside of Mining that are solidly in the 1st quadrant are Accommodation and Food Services and Arts, Entertainment and Recreation. These two industries are clearly interrelated and are emblematic of both the current strength of tourism in Lake County and its potential for further growth.

The Manufacturing sector faces natural headwinds in Lake County including challenging transportation options, a limited pool of trained workers and a long supply chain due to distance from suppliers. Yet, this industry has experienced robust growth due to the perseverance and pride of the business owners.



Source: US Bureau of Economic Analysis

Figure 36: Industry Cluster Analysis



Source: US Bureau of Economic Analysis

Figure 37: Industry Cluster Analysis without Mining and Government

Regional Economic Linkages

A simplified model of a local economy identifies the key flows of labor, capital, and goods and services. Those flows for which data is available is shown in Figure 38. The local residents (D) provide labor (F) to local industries (H, I) and receive wages (E) in return. In addition to those who live and work in the County, some labor commutes into (K) or out of (B) the County in exchange for wages that flow out of (L) or into (C) the County respectively. Local industry can be separated into two groups: Direct Basic industries (H) that export goods and services outside of the County and Non-Basic Industries (I) that primarily provide goods and services to local residents. Basic industry exports are the key source of outside revenue (J) for the local economy. Such revenue is necessary for the local economy to be able to import goods and services that are not produced inside the County. Finally, transfers of capital (A) into the economy include government transfers such as Social Security and investment income. Transfers out of the economy include savings, contributions for government social insurance, and taxes.

The key findings from this analysis are the flows of workers in and out of the County.

There are 1134 workers who commute out of the County every day which represents 24% of the workforce. The \$50.8M in wages that these workers bring back to the County represents a net economic benefit. Combined with the \$42.1M in transfer payments (which comprise welfare benefits, retirement payment and other sources of revenue that are not tied to labor), there is over \$90M that flows annually into Lake County from outside. Not all of this money stays in the community, however, because of retail leakage. The loss may be even more pronounced than normal with these workers because they tend to shop where they work before making the commute back home to Lake County. A more thorough examination of retail leakage will be undertaken in Phase II.

The second aspect of the flow of workers that is notable are 472 people who commute in to the County for work. Aside from the Climax mine, there are no other major employers that could account for such a large influx of workers.

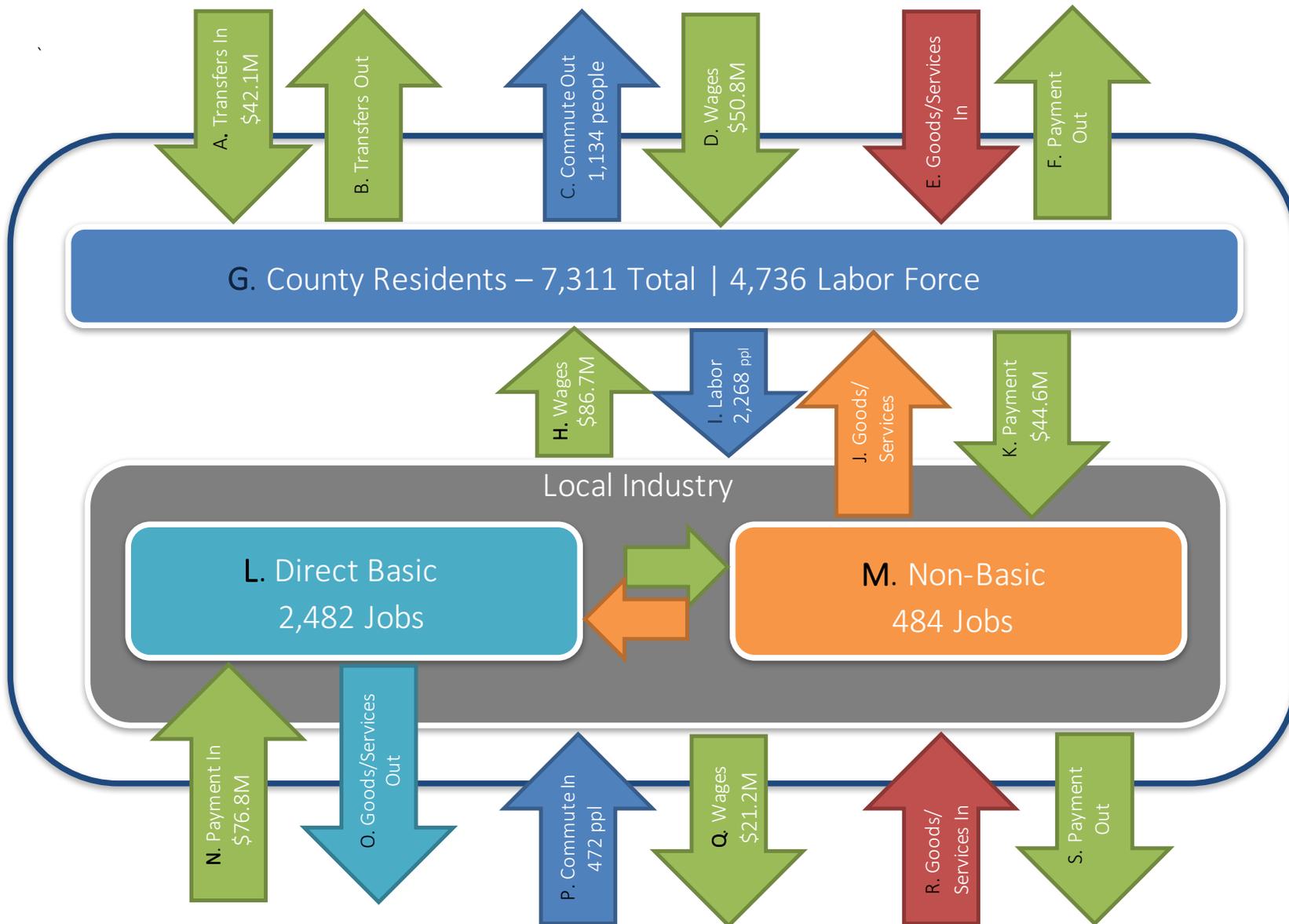


Figure 38: Economic Model

Most Important Issues

Through fifty Community Stakeholder Interviews, patterns emerged that revealed those issues which the community felt presented the greatest obstacles to economic growth in the county. Following is the list of those that are deemed to be the most important:

- **Education.** The quality of the education provided in the public schools and the perception of student safety were easily the most cited impediments to recruiting high-caliber professional entrepreneurs to the area. The frequency and intensity of this feedback was significant enough to merit devoting an entire section of this report to this area of concern. It is unlikely that the County will be successful in bringing ambitious and successful families to the area without significant changes in both the perceptions and realities of the schools.
- **Economic Development Funding.** The absence of a commitment of long-term funding for the Lake County Economic Development Corporation is a serious threat to the long-term viability of economic development initiatives in the county. Developers and businesses have a low tolerance of uncertainty and will be ill-disposed to incur additional risk for a project or a business expansion because they are unsure of continued support from EDC. Identifying sources for and securing commitments from long-term funding sources for the EDC must be among the highest priorities.
- **Hispanic Community Disengagement.** There is virtually no involvement from any member of the Hispanic community in any of the civic and commercial boards. The Hispanic community seems to exist in a parallel universe to the rest of the County with very few intersections. The retail losses from this

effective balkanization of 40% of the market as well as the opportunity cost of not having their insights and contributions in the public arena represents a significant loss to Lake County.

- **Hospitality / Restaurant Availability.** Especially for a County with such amazing recreation and natural amenities, Lake County has a shortage of hotel rooms and no accommodations business class or higher quality. Similarly, while there are some fantastic restaurants in the County, there are too few to support a vibrant tourist industry. The lack of accommodations and limited restaurant options is often cited as a challenge in bringing people to the area to do business.
- **Housing Supply.** There is a market failure in housing. There is pent-up demand for affordable housing as evidenced by the appreciation in home valuations over the past four years and the very low median days on market last year. The demand is probably understated because a large number of Hispanic households could afford a home but are renting or living in mobile homes. Home builders have not responded to the demand and there is inadequate supply. The shortage of housing poses an impediment to bringing new workers to the area.
- **Infrastructure.** Many cited access to broadband as an impediment to attracting the Creative Class. While service is quite good in many places in the County it is not available in all locations. Having more widely available access to broadband may be important in worker recruitment. Availability of sewer infrastructure has hampered some development and the scarcity of water that is common to the Rockies will be a challenge in Lake County.
- **Seasonality.** There is a very strong retail summer season that stretches the capabilities of retailers and hoteliers but far less demand the rest of the year.

Most Important Assets / Opportunities

Following is a list of the most important Assets and Opportunities identified in the interviews with Stakeholders:

Assets:

- **Community Spirit.** It is obvious that the community does not fully appreciate what an amazing esprit de corps exists in Lake County. The level of involvement and passion displayed by dozens of committed citizens is really exceptional. The number of festivals and community activities is one manifestation of the Lake County's cool verve while the number of new community assets (parks, trails, ice skating rink, etc.) are testaments to its can-do attitude. There is a broad commitment to economic development and the efforts are led by and extremely capable Economic Development Director.
- **Altitude.** Lake County's altitude and Leadville's distinction as the highest city in the United States are both a barrier to the faint in heart and a tremendous asset. The altitude combined with the unique experience that Lake County offers presents the possibility of potential new market opportunities for high-altitude testing, research and training.
- **The Leadville 100.** It is impossible to overstate the importance of the Leadville race series to the County. The contribution is far greater than the \$15M in direct economic impact the CMC estimates the races bring. The races have brought fame and notoriety to the County as well as help to cauterize its identity. Many of the great community leaders that are making such a difference in the County first learned about the area through the races. The races will be one of the most important ways to recruit new professionals to the County.
- **Historic Main Street.** Leadville's Harrison Avenue is one of the state's best-preserved main streets and has managed to maintain its Victorian charm and class even after all these years.
- **Recreational Amenities.** The map in Figure 22 provides a graphical illustration of Lake County's proximity to many amazing recreational opportunities. This is an asset that few other communities could replicate.
- **Convention Center.** The former school that has been used as a Convention Center is a nice facility with significant potential. Required upgrades to the building's infrastructure present a challenge but there are opportunities to leverage this important asset.
- **Airport.** The Leadville-Lake County Airport was just recognized as the top airport in the northwest region by the FAA. Aside from its distinction as the highest airport in the US, it is a well-run operation with potential for greater utilization.
- **History.** Leadville has one of the most colorful and dynamic histories of any city in the US. Keeping this history fresh and relevant and leveraging it to create unique 21st-Century experiences has tremendous potential.
- **Twin Lakes.** As much as Lake County is an undiscovered gem, Twin Lakes is even more so. Is there a more beautiful place on earth with greater people?
- **Quality of Post-High School Educational Opportunities.** Lake County is fortunate to have CMC, the High Mountain Institute, and Colorado Outward Bound that provide exceptional post-high school educational opportunities.

Opportunities:

- **Entrepreneurs.** Lake County has many natural advantages that make it an ideal place for

entrepreneurs to start and grow businesses and location-neutral workers to flourish. Creating a climate where they can succeed and then getting the message out about Lake County will be critical.

- **Tourism Cross Promotion / Package Deals.** There is very little cross-promotion of venues among the County’s various tourist attractions. There appears to be a significant opportunity for each venue to provide information about other things to do in Lake County and to become experts in the community. Package deals could be developed with SkiCooper, snowmobile tours, the Mining Museum, cross-country ski rentals and hotel rooms – including Twin Lakes.
- **Branding.** There is a distinct culture and spirit that pervades Lake County. It will be critical to distill that spirit into a concise brand that can be a rallying cry for the community and create a common narrative of what it means to live in a community that demands toughness, tenacity and spirit. The recruiting pitch to the Creative Class is the challenge – “Are you ‘Leadville Tough?’”
- **Filming.** The natural beauty of Lake County and its accessibility to Denver and the airport create the potential for more filming and film production in the area.