

Economic Threats

Water Sales/Transfers

As predicted, water supplies and security remain one of the biggest threats to growth and economic resiliency. The entirety of SCEDD is reliant on mountain snowpacks and springs runoffs to fill reservoirs and streams to fuel the district's economy from agriculture to tourism. Further, the district's reliance on annual precipitation shows the growing need to ensure critical water and wastewater projects are prioritized over the next five years to ensure water quality and safe, clean supplies.

Across the region, many counties and urban municipal centers are in relatively good shape with decent water rights. However, the continued building boom on the Front Range fuels the need for the district's water to be taken from the Arkansas Basin to supply this growth outside of the district. Continued support from regional leadership to ensure the water security of the Arkansas River Basin will ensure the district remains economically viable for growth and attracting new businesses.

Southeastern Plains (Baca, Bent, Crowley, Kiowa, Otero, Prowers)

Historical data on drought indicates an occurrence, every ten years in this area. Based on the sub-regions and the states' multi-year drought history, it is evident that the entire sub-region is vulnerable to drought. Recent years have seen dramatic drops in water storage and have seen water calls that have impacted the agricultural communities. With most of the land used for agricultural purposes, the sub-region has significant exposure to drought. In addition to economic and public water supply impacts, soil erosion, dust, and wildfire hazard are also exacerbated by drought conditions.

Water sales continue to fuel Front Range growth and limit agricultural users' water rights causing the dry-up of large parcels of land. Ensuring water supplies, for agriculture, other new businesses and additional housing, is essential for business growth. Municipal water rights remain strong and able to absorb growth. Infrastructure investments, in both water and wastewater, will ensure water quality for years to come.



Farming, Kiowa County

Upper Arkansas (Chaffee, Lake)

Water rights are essential for growth throughout this sub-region. Individual wells and septic systems continue to be a looming issue for water quality and “sprawl” growth outside of municipal boundaries. As this area continues to grow, annexation policies are taking shape to ensure development brings water with the entitlement process. Northern Chaffee County is seeing issues with growth and water rights. Intergovernmental cooperation, water use, and priority of water purchases are essential to allow the construction industry, one of the largest in the county, to continue to see growth.

Agricultural communities continue to be the major owners of water rights. Protection of these lands, ditches, and storage are also high priorities. As water sales occur, dry ups cause downstream or down ditch issues for ag users. Providing working capital for these agricultural users allows the water to remain on the land.

South Central (Huerfano and Las Animas)

Overall, the sub-region has strong water rights within the municipalities. The major issues are delivery and storage in rural areas. North Huerfano County has issues with water rights for both agriculture and rural municipalities, such as Gardner. The prioritization of securing water rights and the necessary infrastructure to supply communities is a high priority.

Loss of Major Industry

Due to the rural nature and small size of many of the district's communities, the loss of a major employer creates major economic shocks and could create small-scale recessions inside individual communities. The loss of a major industry has ripple effects not only on the employees in the sub-region, but many of the secondary or tertiary businesses who rely on these larger businesses for both customers and additional tax-base that these industries provide.

Over the next five years, the biggest threats to major industries within SCEDD are criminal justice reforms, shifting energy production from coal-power to renewable sources, legalization of marijuana in surrounding states, changes to the health care system caused by the COVID-19 pandemic, reliable access to broadband, and changing demographics from urban centers to rural areas.

There isn't a single county in the district that would not be spared from significant economic shocks if a major industry closed or moved out of the district. It is essential that investments are made in each individual county to continue to attract new businesses that ensure the diversification and allow for resiliency across the district.

Broadband Inadequacies

Broadband is defined by the Federal Communications Commission (FCC) as an always-on, high-speed internet connection with minimum speeds of 25 Mbps download and 3 Mbps upload (25/3). Now, more than ever before, Broadband access is a necessity to support remote work and access to online education and healthcare. The COVID-19 pandemic has further underscored the depth of the digital divide.

Across SCEDD, broadband investments are needed to expand to areas in rural parts of each county and to ensure that areas with reliable broadband continue to see investments in the necessary infrastructure that allows them to thrive as technology evolves. The COVID-19 pandemic created a need to ensure access to broadband for the remote workforce, for schools, and industries that were forced to close or shift to remote work.

Workforce Housing Shortages

Workforce housing is a threat across all of SCEDD. Rentals and properties up for sale are in short supply. The COVID-19 pandemic shifted employees to rural areas creating acute supply issues and driving real estate prices to record highs. This, coupled with low interest rates allowed more affluent buyers to access the middle- and higher-end housing stock, as they look to relocate to smaller, rural communities within SCEDD.

According to the Urban Land Institute (ULI), Workforce Housing is defined as “housing affordable to households earning between 60 and 120 percent of area median income (AMI)”. Workforce housing targets middle-income workers, which include professions such as police officers, firefighters, teachers, health care workers, retail clerks, and the like (Parlow, 2015). Households who need workforce housing may not qualify for housing subsidized by the Low-Income Housing Tax Credit (LIHTC) program or the Housing Choice Vouchers program (formerly known as Section 8), which are two major programs in place for addressing affordable housing needs. Access to attainable housing is the greatest limitation when recruiting new teachers, medical professionals, and government employees.

New construction costs in rural areas are comparatively high due to inflated labor costs, lower rents, and the inability to compete for statewide tax credits to finance affordable housing. There is a need to retain and attract residents to rural Colorado towns, who are in the middle-income market. The properties address an immediate need for accessible workforce housing as workers in hospitality, healthcare and the trades are getting priced out as more affluent populations move to the sub-regions.



Residential Housing, Grenada, Prowers County

Capital and Funding

Capital access in the SCEDD region for debt and equity are deficient in different ways. The debt side is a paradox, with suppressed demand from COVID-19 suggesting there might be adequate funds available to lend, but perhaps a lack of marketing and outreach. On the equity side, the SCEDD region is nearly a desert, with few funds available from WITHIN the district. Additional planning and assessment is required.

On the debt side, there are a number of business loan funds providing gap financing, and BLFs on the Southeastern Plains have an excellent reputation for meeting the needs of the business community. NeighborWorks has a gap financing BLF program, the Upper Arkansas COG has a program, and there is access to some statewide funds, including a newly-stood up program funded by the EDA. There is not SBA 504 packager within the district. This is not meant to be a complete inventory of BLF assets in the SCEDD region.

SCEDD is seeking to do a study to assess the capital ecosystem and see if and where SCEDD can play a role. That role may very well include a specialized BLF, such as one for a transportation innovation cluster. The Transportation Technology Center, Inc. (TTCI) is at the center of a Build

Back Better grant request that contemplates a BLF, seed capital fund, incubator, and accelerator startup firms engaged in technology innovation.

On the equity side, there are no seed capital, venture, or private equity funds within the SCEDD region. That is not to say that equity fund is non-existent. There are a few informal angel networks and one formal one. In addition, Southern Colorado Innovation Link (SCIL) has had some success as an accelerator in preparing entrepreneurs for pitching to equity funds outside the region.

Broadly speaking, the Access to Capital landscape is a threat to the region's ability to create an entrepreneurial ecosphere. PEDCO and local EDs have done a very credible job of on the Business Retention and Expansion side of economic development.

Government Regulation

Government regulation of the U.S. economy has expanded enormously over the past century, prompting business complaints that interventions impede growth and efficiency. Proponents of intervention say it's necessary to mitigate the adverse impacts of unregulated commerce, which range from environmental damage to labor abuses. Some interventions aim to help the private sector by providing clear guidelines, loans, and advice to businesses. Unfortunately, governments also have a long history of trapping nations into patterns of long-term decline through over-regulation. On the other hand, there have been times in the history of the United States, where the government has enacted regulations (and laws) that help small business.

Recent laws, that create enormous burdens on regulating the agricultural community, have become major threats to the district. These threaten not only producers, but also industries that process foods that feed the nation. Additional regulations that continue to push water quality standards are also major threats to rural communities within SCEDD, as they require major financial investments in large-scale infrastructure projects.

Finally, the federal push for renewable energies has begun to inflate energy costs within SCEDD. The early decommissioning of fossil fuel power plants has lasting impacts on the regional financing of power projects. This is further exasperated by large investments in renewable energy production in rural areas that then fall directly on the small-region users. As the PUC continues to update regulations, infrastructure investments need to be spread across the grid and not result in major financial increases for the rural communities where these projects locate.

Substance and Opioid Abuse, Drug and Human Trafficking

In the late 1990s, pharmaceutical companies reassured the medical community that patients would not become addicted to opioid pain relievers. Healthcare providers began to prescribe them at greater rates. Before it became clear that these medication could indeed be highly addictive, increased prescriptions of opioid medications led to wide-spread misuse -- prescription and non-prescription. In 2017 Colorado Health and Human Services declared a public health emergency and announced a *5-Point Strategy to Combat the Opioid Crisis*. In the context of illicit drugs, the term "trafficking" refers to the act of moving large quantities of drugs for distribution, often involving multiple states and/or international transactions. While most states have no specific charge for the

drug trafficking, per se, charges and penalties for distributing illicit drugs are based primarily on the amount and type of drug. These regulations have seen major sentencing for user groups that have addiction problems.

Across SCEDD, with the exception of Custer County, substance abuse has impacted the available workforce and labor participation. Marijuana's status, as a federally-banned substance but legal in Colorado, has created labor law issues and cut back on eligible workers in certain industries. This is especially true for industries like trucking, construction, regional distribution, rail, and corrections.

The region has also seen an alarming uptick in human trafficking in recent years. The major interstate and U.S. highways served as mule routes to smuggle humans across the district. Resources need to be made available to ensure small, rural communities can address this growing threat.

Hazardous Materials Spill

Hazardous material releases are defined as spills, disposals, or other forms of discharge into the environment. Because every county within SCEDD has a major highway and/or rail service, a hazardous material (HAZMAT) spill could create a major economic impact on a community. HAZMAT is "any element or compound that, because of handling, storing, processing, or packaging, may have detrimental effects upon the public (especially emergency personnel) and/or the environment" (State Emergency Operations Plan, 2015, p. Tab A-6 to Tab A-7). Hazardous materials are found in forms and quantities that can potentially cause death, serious injury, long-lasting health effects, and property damage in varying degrees. They may be flammable, corrosive, detonable, toxic, radioactive, oxidizers, disease-causing agents, or highly reactive. They are routinely used and stored in homes and businesses and are also shipped daily on Colorado's highways, railroads, waterways, and pipelines.

The largest threat of spills is the lack of resources to "clean up" when the event occurs. There are only a few regional resources that can be deployed to deal with these events. Investments are needed to ensure these regional resources have the tools to mitigate any accidental spills and that communities have the resources to protect themselves against any disaster that may occur.



Rail Yard, La Junta, Otero County

Cyber Hazards

Today's world is more interconnected than ever before. Yet, for all of its advantages, increased connectivity brings increased risk of theft, fraud, and abuse. "Cyber" means of, relating to, or involving computers or computer networks (such as the Internet). "Hazard" means a danger or risk. Summarily Cyber Hazard is any danger or risk involving computers or computer networks. Since nearly everyone uses a computer in some form, cyber-hazard pertains to the majority.

The COVID-19 pandemic created a new need for cyber security across SCEDD. Many local government servers and communication systems were not equipped to allow their workforces to

securely begin to work remotely. As investments are made in broadband, safe steps must be made in programming and technology to protect the end users, local governments, and businesses within the district.

Critical Infrastructure

SCEDD is seeing an overall need of \$300 million for critical water, wastewater, broadband, and electric transmission lines to create resiliency within our communities. This figure does not even begin to account for needs to transportation infrastructure -- investments in roads, bridges, rails, and public transportation.

As part of this CEDS update, every county has provided detailed lists of critical infrastructure projects in Appendix A. The biggest threat over the next five years is ensuring access to recovery funds to address these infrastructure needs. A vast majority of SCEDD lacks the technical expertise to ensure equal access and even distribution of these federal and state funds.

Energy Sustainability

Natural disaster disruptions to energy transmission are threats to many of the communities across the district. While growth in renewable energy production is becoming a major economic engine in the Southeastern Plains, the necessary transmission line capacity to the grid is hampering the growth of this industry. To ensure resiliency, regional transmission line investments are needed to allow growth in the renewable energy sector, as well as protect transmission line distributions from natural events. In several counties, high electric costs are creating cost burdens to households. Regulations need to be addressed to ensure rural communities are not stuck with paying the bill for the urban centers' desires to shift to renewable energy that is generated in these counties.

Healthcare

The COVID-19 pandemic created an economic stress test on the healthcare systems within SCEDD. Many of these healthcare systems are major economic drivers, as well as employers. Investments in regional care facilities and public health are needed district wide to ensure they are equipped to continue to handle the looming health efforts that future COVID variants and other health pandemics may require.

Although rural hospitals endeavor to meet the health care needs of their communities, many struggle to address the persistent challenges of low patient volumes and geographic isolation. At the same time, they are working to manage more recent and emergent challenges, including economic fluctuations, increased regulatory burden, and the opioid epidemic. In response to these difficulties, some hospitals have elected to merge with larger health systems, engage in other types of affiliations or partnerships, or modify their service offerings, to stay viable and protect health care access for their communities. Rural hospitals also serve as economic anchors in their communities. They provide both direct employment opportunities and indirect reinforcement of the local economy through the purchase of goods and services from private sector entities. The availability of local access to health care is an important factor for businesses considering whether to invest or locate in

a particular area. Moreover, private sector employment generated by rural hospitals supports a healthy tax base, which funds services such as public education, fire, police and road maintenance.

Finally, the lack of access to adequate mental health services has become a major threat. The COVID-19 pandemic saw an alarming increase in suicide rates especially in youth populations across the region.