

Lake County Economic Development Strategic Plan

Phase II – Market Analysis



Prepared by: Better City

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Executive Summary

This Phase 2 report is a market analysis of specific industry clusters in Lake County.

The Phase I Report was a broad look at Lake County's demographics and economics, while this report focuses on new industries and clusters that hold potential for expansion. The purpose is to study key industry segments which represent opportunities for growth and for which specific projects will be proposed in Phase III.

Following are the industry clusters that are the focus of this report:

- Location Neutral / Remote Workers
- Recreation / Adventure Tourism / Hospitality
- High-Altitude Testing
- Outdoor Experiential-Based Education
- Health and Wellness
- Film Production
- Twin Lakes Development
- Downtown

Finally, a Retail Leakage Study will analyze the loss of sales to surrounding municipalities.

A brief summary of each potential cluster follows.

Location Neutral / Remote Workers and Business Owners

Remote or location neutral workers are those whose employment allows them to work from anywhere. Having employees work remotely offers many cost and productivity advantages for companies and is a work arrangement preferred by most employees. As a result, remote work is

becoming more common and is expected to grow significantly in the coming years.

It seems that every rural community views itself as a perfect place for location-neutral employment. While having a relaxed pace, friendly neighbors and rural setting are certainly selling points to some remote workers, those qualities are not enough to distinguish a community and are far from sufficient to create a draw for workers who could work virtually anywhere.

Lake County, however, combines the rural appeal with truly unique assets that could position it as the destination of choice for workers who value outdoor recreation, gorgeous mountain vistas, proximity to a major metropolitan area and an affordable cost of living.

Recreation / Adventure Tourism / Hospitality

Although the tourism industry is already an important part of Lake County's economy, there are opportunities to further expand the industry. Through greater cross promotion, creating local package deals and expanding SkiCooper, more revenue could be generated for local businesses.

In addition, a destination resort / hotel would serve the double benefit of being a regional draw that would bring new tourists to the County while also bringing much-needed upscale accommodations.

High-Altitude Testing

With the highest city and the highest airport in the United States, Lake County is uniquely positioned to become the high-altitude testing capital of the country. While the total market size is difficult to discern, there may be opportunities for bringing more companies to test their products in Lake County.

Human performance testing and optimization is another industry cluster that is difficult to quantify but could represent an opportunity.

Outdoor Experiential-Based Education

Lake County is already home to two well-respected outdoor experiential-based learning companies in Colorado Outward Bound and the High Mountain Institute.

Lake County is perfect for these types of programs and the opportunity exists to expand into other sub clusters like troubled youth programs, programs for disabled youth and youth leadership camps.

Health and Wellness

Numerous studies have shown significant weight loss benefits from being at high altitude. The Health and Wellness industry is large and growing. Resort spas where patrons learn healthy lifestyles and lose weight have had particularly strong growth.

With proximity to a major airport and a major metropolitan area, natural beauty and high altitude, Lake County is a perfectly location for health-related resort spas.

Film Production

Alpine mountains are a familiar backdrop for television commercials and movies. The State of Colorado has a strategy and is interested in recruiting film production to the state. There are currently six local film commissions in the state that serve as one-stop shops for producers and site selectors. Lake's County value proposition of proximity to Denver, unmatched scenery, low costs and extended access to snow make it an attractive alternative for site selectors. Having a local post-production facility would be another key differentiator.

Twin Lakes Development

Twin Lakes has surpassing beauty and business owners who are entrepreneurial and friendly. Opportunities for increased economic prosperity in the community are limited, however, by infrastructure constraints.

Because Twin Lakes provides support to Forest Service facilities, it may be possible to solicit assistance from the Forest Service and/or the USDA for infrastructure upgrades.

Downtown

Leadville has one of the most picturesque downtowns in the state. Many of the buildings, however, are in need of renovation and the area needs to be refreshed. Most of the buildings are owned by small business owners and absentee landlords who do not have sufficient capitalization to undertake the repairs that are needed to bring the buildings up to code and to restore them properly.

A vibrant Downtown is critical in creating a brand and also represents the best opportunity for creating residential density, unique retail, and commercial and office space.

Funding mechanisms need to be put in place to help these owners to upgrade their properties and make downtown Leadville the regional draw that it could be.

Retail Leakage

With 1,134 workers commuting out of the County every day, there is significant opportunity for residents to shop for goods and services outside of the County. Owing to its size, the diversity of retail offerings in the County is quite limited compared to surrounding communities.

As a result, there is significant retail leakage where County residents are making purchases in other communities.

Market Expansion Opportunities

This section highlights the specific areas where potential market opportunity exists. The purpose is to explore in detail the scope of the opportunity and Lake County's potential advantages.

Location Neutral / Telecommuting Workers

Location neutral and telecommuting workers (teleworkers) in the United States have increased from 1.8M in 2005 to nearly 3.7M in 2015. Today one in eleven workers works remotely – away from their company's offices¹.

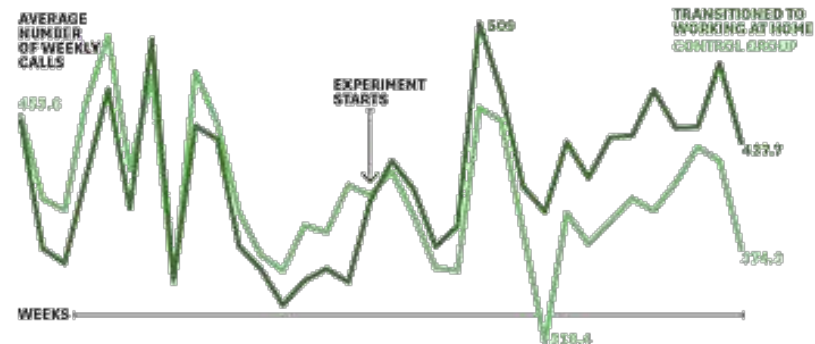
There are benefits of telecommuting for both employers and employees.

For employers, studies show that telecommuting workers are more productive than their colleagues. A recent survey from Gallup showed that 80% of Americans think that telecommuters are at least as productive as those who work in an office. Two thirds of managers say that employees who work remotely increase their overall productivity.²

A Stanford study of a company that offered work from home as an experiment revealed that total productivity of the remote workers was 14% higher than their office counterparts and that they had 9% more productive time during the day (See Figure 1). Perhaps most importantly, employee satisfaction improved markedly and attrition fell by 50%.³

¹ Gallup.com, In U.S., Telecommuting for Work Climbs to 37%, August 19, 2015

² remote.co/10-stats-about-remote-work/



Source: Nicholas Bloom, Stanford University

Figure 1: Stanford Remote Working Experiment

Other compelling benefits of remote work? If 40% of workers telecommuted half of the time:

- Businesses would save over \$500B per year,
- Businesses would see increased productivity of 5 million man years,
- Workers would get back the equivalent of between 2 to 3 weeks of free time per year and save an average of more than \$3,000 per year on commuting,
- Greenhouse gas emissions would be reduced by 54M tons per year,
- 119B road miles on roads would be eliminated - reducing the wear and tear and cost of maintenance,
- 90,000 people would be saved from traffic-related injury or death.⁴

For workers, the benefits are:

- 82% of remote workers report lowers stress,
- 80% report higher morale,

³ www.inc.com/christina-desmarais/want-productive-employees-let-some-of-them-work-from-home.html

⁴ Kate Lister, globalworkplaceanalytics.com

- 69% report lower absenteeism⁵
- 24% are willing to work more
- 45% get more sleep
- 35% get more exercise
- 42% eat healthier
- 51% spend more time with significant others
- 44% have more positive attitudes⁶

Who Telecommutes? According to Kate Lister, Telecommuter Demographics are:

- A typical telecommuter is older (50+), college educated, salaried, non-union employee.
- Relative to the total population, a disproportionate share of employees in the following occupations telecommute (in order of largest disproportion to smallest):
 - Military
 - Computer and Mathematical
 - Arts, Design, Entertainment, Sports, and Media Occupations
 - Farming, Fishing, and Forestry
 - Life, Physical, and Social Science Occupations
 - Legal Occupations
 - Community and Social Service Occupations
 - Architecture and Engineering Occupations
 - Business and Financial
- Using home as a 'reasonable accommodation' per the Americans with Disabilities Act, 463,000 disabled employees regularly work from home (7.1% of the disabled).
- Non-exempt employees are far less likely to work at home on a regular or ad hoc basis than salaried

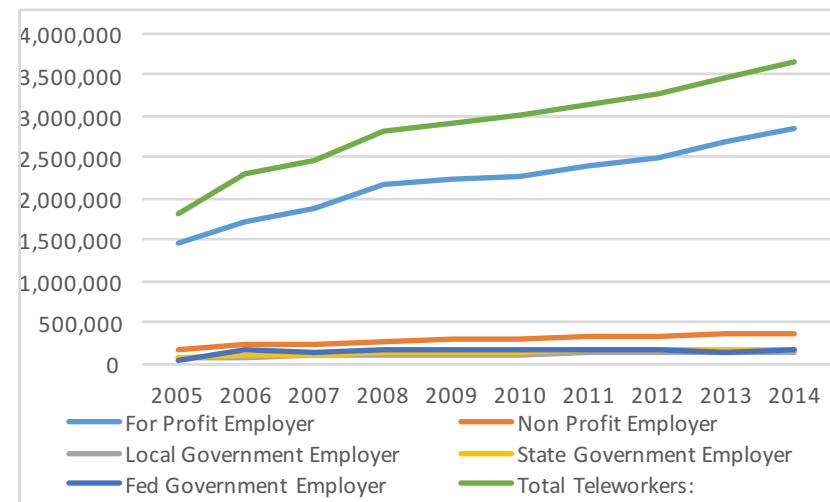
⁵ remote.co/10-stats-about-remote-work/

⁶ highfive.com

employees.

- Larger companies are more likely to allow telecommuting than smaller ones.
- Non-union organizations are more likely to offer telecommuting those with unions.⁷

The increase of teleworkers over the past ten years is shown in Figure 2.



Source: Kate Lister, Globalworkplaceanalytics.com

Figure 2: Increase in Remote Workers

The trend towards telecommuting is just reaching an inflexion point and is due to experience tremendous growth in the coming years. It is estimated that 50% of all workers could telecommute at least part of the time and in a recent survey of

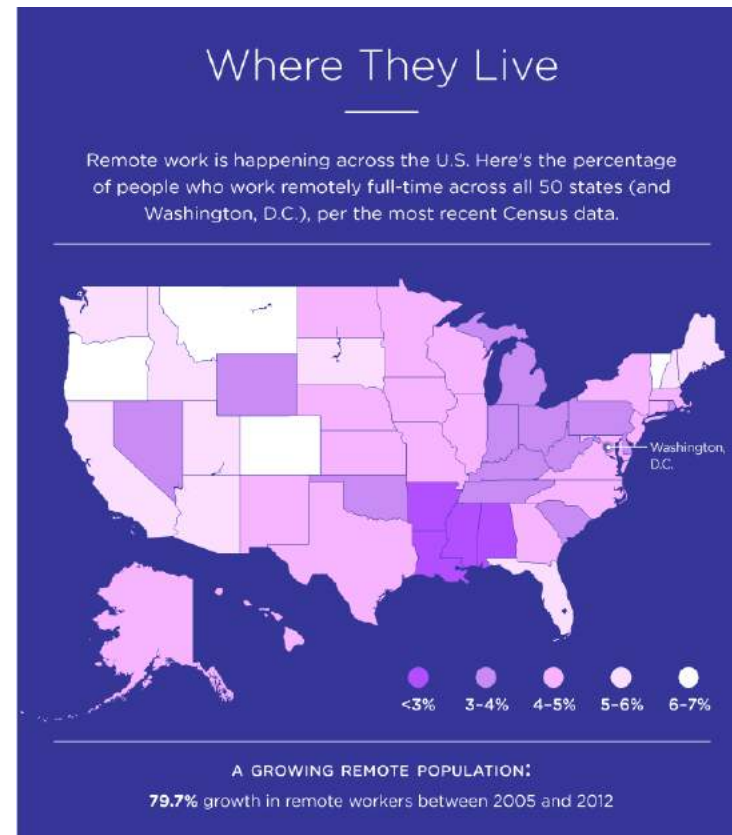
⁷ Kate Lister, globalworkplaceanalytics.com

business leaders at the Global Leadership Summit, 34% said that 50% of their workforce will be working remotely by 2020.⁸

"There is an expectation that individuals should have the ability and freedom to work remotely and not be confined to an office setting or desk," Jeff Corbin, CEO of theEMPLOYEEapp told Business News Daily. "There is also an expectation that employees should have instantaneous access to what they need to do their work."⁹

Work of the future will be more about what is accomplished rather than where it happens. This is especially true for Millennials, 68% of who, according to AfterCollege, look at the ability to work remotely as a key benefit from employers.¹⁰

The map of where telecommuting is most prevalent is depicted in Figure 3. Colorado is among the states with the greatest prevalence of remote workers.



Source: www.businessinsider.com/where-the-most-remote-workers-are-in-the-us-2015-8

Figure 3: Remote Workers by State

The factors that determine the desirability of an area for remote working are:

- Cost of living

⁸ www.fastcompany.com/3034286/the-future-of-work/will-half-of-people-be-working-remotely-by-2020

⁹ www.businessnewsdaily.com/8156-future-of-remote-work.html#sthash.Y7o7MbuE.dpuf

¹⁰ remote.co/10-stats-about-remote-work/

- Proximity to a major airport
- Quality of Life
- Business Support
- Available Technology

Cost of Living

The ideal for a remote worker would be to collect New York or San Francisco wages and have a Mississippi cost of living. An even more extreme global example would be to have London wages and live in Bangladesh. The arbitrage between the wage rate and the cost of living can be a key economic benefit of working at home.

Areas with lower costs of living have an inherent advantage in attracting telecommuting workers. The range of the estimates of the overall cost of living in Lake County (Leadville) is between 90.2¹¹, 99.90¹² and 104¹³ compared to a national average of 100. There is a significant contrast, however, with Denver which has an index of between 107¹⁴ and 115¹⁵.

So while Leadville's cost of living is close to the median and has no advantage over approximately half the cities in the country, it is significantly less expensive than Denver and much less expensive than other resort towns (Steamboat Springs = 132, Aspen = 133, Vail = 201, Breckenridge = 146, Eagle = 135).

Major Airport

Denver International Airport (DEN) is the 6th busiest airport in the United States by passenger boardings.¹⁶ Airlines operating out of Denver service 187 destinations including 20 international cities. Travelers can fly directly from Denver to almost anywhere in the United States.

Denver also has some of the lowest airfares of any major airport. It is the only airport that ranks among the top 10 in number of flights and the top 20 of the lowest average airfare.¹⁷

At just over a two-hour drive from the airport, Lake County is further than an ideal distance for someone who travels frequently but within reason for a worker who needs to travel only on occasion.

Quality of Life

It is self-evident that location neutral workers would seek to live where the quality of life was at its best. By its very definition, however, "quality of life" is a subjective measure. Some value high-end shopping, crowded restaurants and a vibrant night life while others prefer vistas of mountain peaks and isolated mountain trails.

There are a few attributes, however, that are nearly universally desired.¹⁸

¹¹ www.city-data.com/city/Leadville-Colorado.html

¹² Sperling's Best Places to Live, www.bestplaces.net

¹³ www.areavibes.com/leadville-co/cost-of-living/

¹⁴ www.areavibes.com/leadville-co/cost-of-living/

¹⁵ Sperling's Best Places to Live, www.bestplaces.net

¹⁶ Wikipedia – "List of the Busiest Airports in the United States"

¹⁷ www.businessinsider.com/the-us-airports-with-the-cheapest-average-airfare-2014-7

¹⁸ All quality of life comparisons come from: www.bestplaces.net, www.areavibes.com, www.city-data.com, www.neighborhoodscout.com

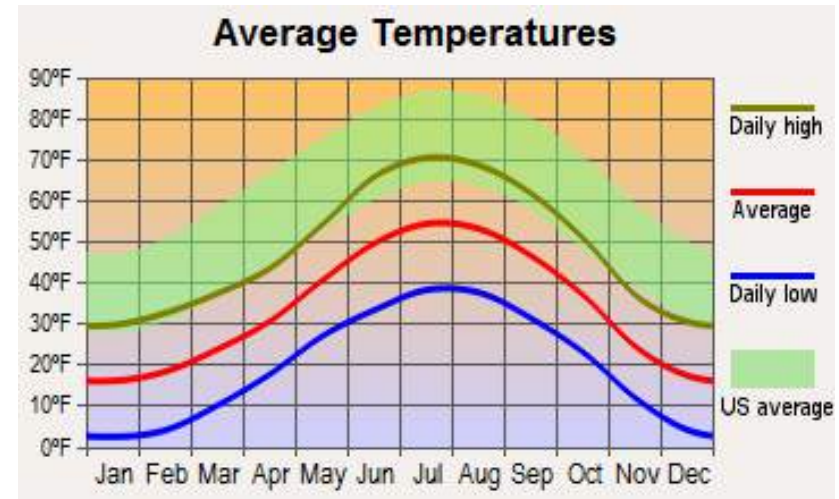
Crime. The estimates for Leadville's crime are between 48%¹⁹, 50%²⁰ 56%²¹ 104%²² and 139%²³ of national average. Throwing out the outlier, the overall public safety picture is very good. There were no murders and four rapes from 2000 to 2013 but there was one murder in 2015.

Public safety is among the most important criteria when an area is evaluated for livability and Lake County's crime statistics would be a strong positive for the area.

Education. The state of Lake County's public schools was given significant treatment in the Phase 1 report. By all measures, Lake County students' academic performance is below the state averages. Furthermore, there are challenges with bullying that the district is working hard to address.

Next to crime, the quality of education is probably the most important criteria for families with children. If maintained at the same level, the quality of education and the safety concerns at Lake County schools would be significant, almost insuperable impediments for families evaluating the area.

Significant improvements have been made, however, and key performance metrics are improving.



Source: www.city-data.com

Figure 4: Lake County Average Temperatures

Weather. Lake County's winters are long, snowy and cold. Is that a positive or a negative? It depends. 57% of Americans surveyed prefer a warm climate to a colder one. That still leaves 29% who prefer it cold with 12% undecided or ambivalent.²⁴

¹⁹ www.neighborhoodscout.com/co/leadville/crime/

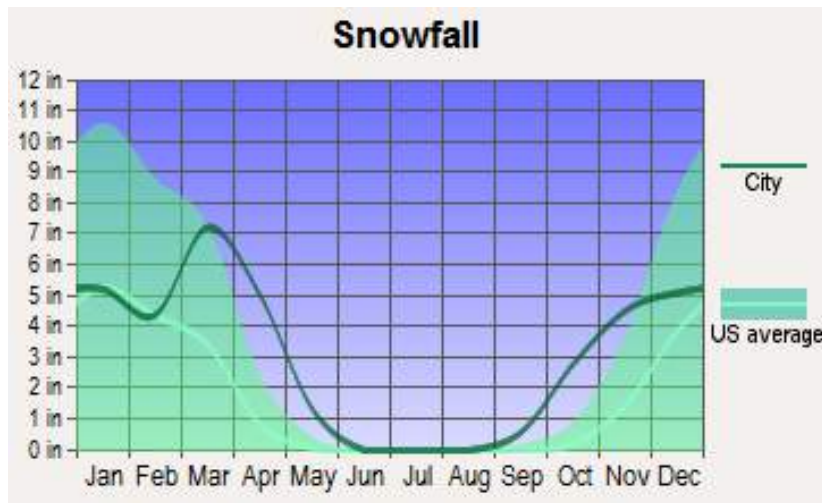
²⁰ www.homefacts.com/crime/Colorado/Lake-County/Leadville.html

²¹ www.areavibes.com/leadville-co/crime/

²² www.city-data.com/crime/crime-Leadville-Colorado.html

²³ www.bestplaces.net/crime/city/colorado/leadville

²⁴ www.pewsocialtrends.org/2009/03/18/most-like-it-hot/



Source: www.city-data.com

Figure 5: Lake County Average Snowfall

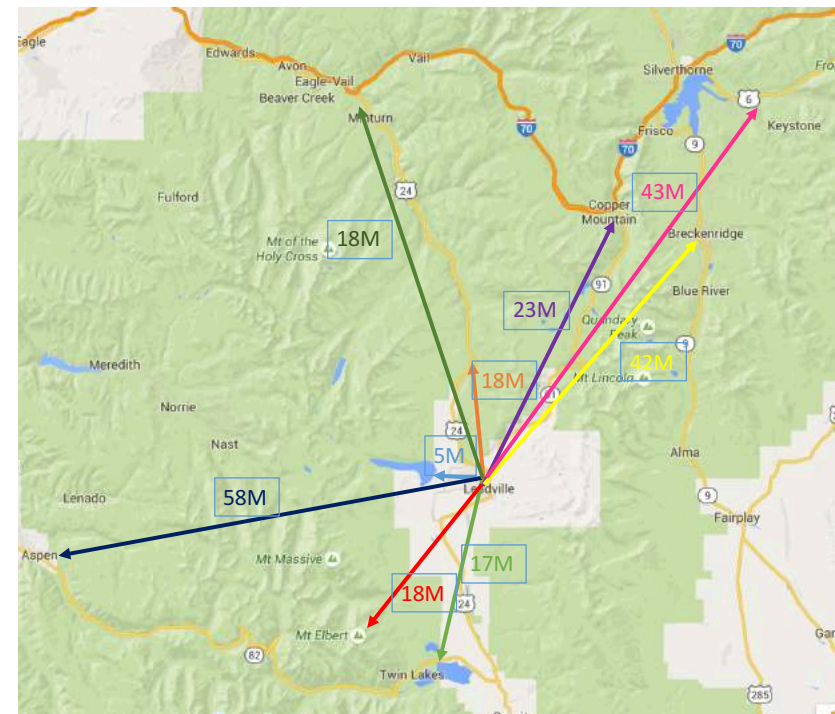
For the 1 in 3 Americans who subscribe to the theory that ‘you can always add more layers when it’s cold but there are only so many layers you can take off when it is hot’, Lake County’s mild summers with highs barely reaching 70 degrees would be very appealing.

For 29% of American’s Lake County’s weather would be a draw.

Amenities. As noted previously, what constitutes appealing amenities depends entirely upon the preferences of the individual. Every location will have its trade-offs and nowhere has every possible amenity. So rather than trying to catalogue what is absent, it is best to identify what amenities do exist and their quality.

As discussed in the Phase 1 report, Lake County has a wealth of outdoor recreation amenities within very short distances (See Figure 6). There are four world-class ski

resorts within forty-five miles of the county. Within the county are three ‘fourteeners’ – mountain peaks with elevations that exceed 14,000, including Mt. Elbert which is the highest peak in the Rocky Mountains, as well as two lakes, over one hundred miles of groomed cross country trails, the highest golf course in the United States and hundreds of miles of ATV and hiking trails.



Source: Google Maps

Figure 6: Proximity of Lake County to Amenities

For anyone who enjoys outdoor recreation – running, mountain biking, alpine skiing, snowmobiling, ATV riding, cross-country skiing, ice hockey, hunting, fishing, ice skating –

there are few places on earth that have as many exceptional amenities as Lake County.

Though it has amazing outdoor recreation opportunities, indoor recreation in Lake County is quite limited. At present the extent of the amenities are two public basketball courts, racquetball courts, the swimming pool at the middle school and some smaller gyms and yoga studios. Because of the length and harshness of the winters, in order to create a truly great active lifestyle environment, the County would need to add significant indoor recreation opportunities. Examples could include state of the art fitness centers, bowling alleys, indoor pickle ball courts, climbing walls, indoor surfing, etc.

Housing

While the cost of housing is a major factor in deriving the overall cost of living, it is such a large driver of that metric and also has such a strong qualitative component that it merits separate treatment.

Lake County's housing stock is older than the state average with the median home being built in 1963. In Colorado the median year built is 1981 while in the United States it is 1978.²⁵ While some of the older housing inventory is historic and architecturally appealing, the vast majority comprises worker housing built during the mining booms.

Because there have been less than 20 new homes built per year since 2010²⁶, there is very little newer housing inventory that is available for new residents.

There is a diverse range of housing options in the County from Victorian homes in Leadville, cabins near Turquoise Lake,

mobile home parks, mining worker's homes to the mountain hamlet of Twin Lakes.



There is very little market-rate housing nor condominiums, however.

Given its age, Leadville's housing is surprisingly expensive at more than \$140 per square foot. That rate is comparable to or higher than housing markets that are experiencing significant growth like Phoenix, St. George, Utah, Las Vegas, Houston and Salt Lake City.²⁷

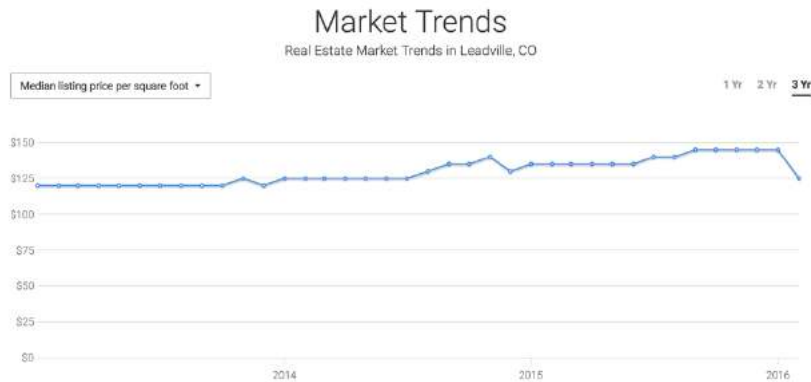
The higher prices are partially due to the higher cost of construction in Lake County but are primarily driven by the small volume of available homes in relation to the demand.

When considered in the context of the Denver market, however, Lake County's home prices have been fairly stagnant and are relatively affordable (see Figure 7 and Figure 8).

²⁵ US Census Bureau, 2014 ACS Survey

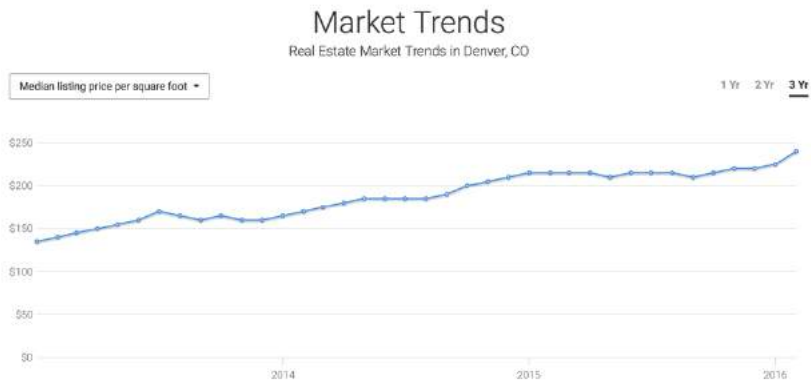
²⁶ Lake County Building Department

²⁷ Realtor.com



Source: Realtor.com

Figure 7: Leadville Real Estate Values

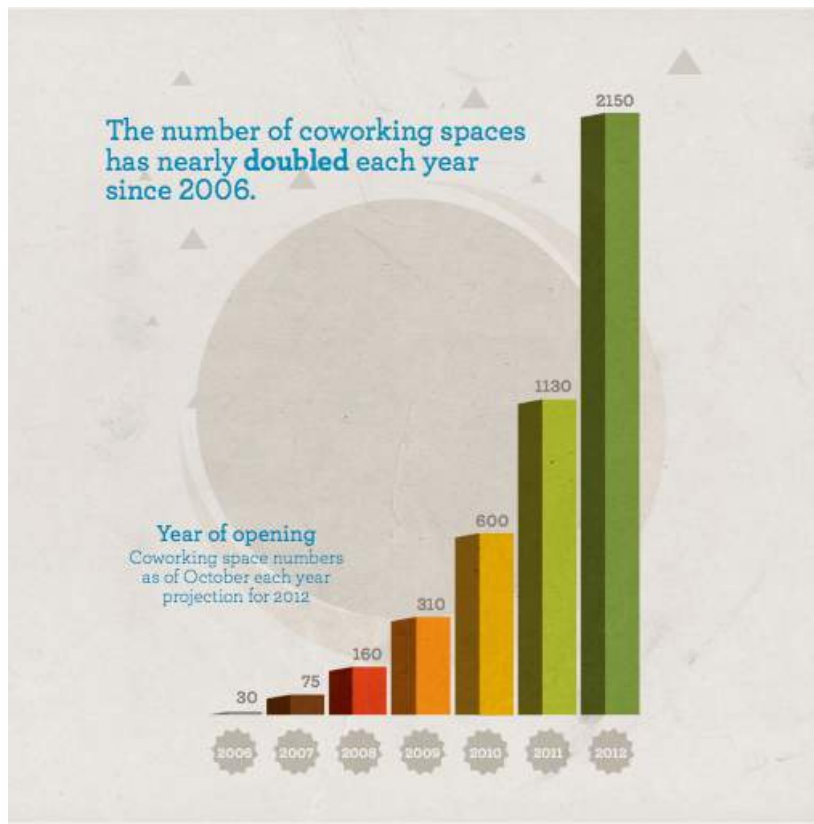


Source: Realtor.com

Figure 8: Denver Real Estate Values

When compared to the resort communities surrounding Lake County (Vail, Breckenridge, Avon, etc.) with prices per square feet ranging from \$300 to over \$1000, Lake County is a relative bargain.²⁸

²⁸ www.realtor.com



Source: www.innovationiseverywhere.com

Figure 9: Increase in Coworking Offices

Business Support Systems

Is a remote worker a lone wolf who works in her pajamas and slippers at home or is she a social, active person who values social interaction?

The answer is – both. While some remote workers are introverts who relish the solitude of working alone, others are social extroverts who love to be free from the stifling manacles of corporate environments but still relish social interactions.

Given the explosive growth in co-working spaces in the U.S. (see Figure 9), the evidence would suggest that the majority of remote workers prefer to have social interaction. (Co-working spaces are shared offices that provide individual office space and shared resources like printing and internet.)

At present, there is no shared office arrangements available in Lake County.

In addition to formal shared working environments, remote workers often appreciate the opportunity to network with other teleworkers.

Steamboat Springs is a pioneer at recruiting remote workers and in fostering a supportive environment. A group called Unite Steamboat Springs meets several times a month and has over 400 members.



Source: www.meetup.com/ignitesteamboat/members/

Steamboat's Economic Development organization, Chamber of Commerce and Resort Association all have resources aimed at recruiting and supporting teleworkers.

Many remote workers are entrepreneurs who find value in networking and in being mentored.

SCORE is a national volunteer organization that connects entrepreneurs with retired business executives. Last year, SCORE volunteers mentored over 148,000 businesses owners and entrepreneurs and helped them create more than 47,000 new jobs.²⁹

The Colorado Springs chapter of SCORE has recently agreed to sponsor a group in Leadville. Lake County has a surprisingly large number of high-achievement, retired business executives in its community who will be able to provide invaluable mentoring.

Shared commercial kitchens are another resource that some communities provide for entrepreneurs and small businesses that make it possible for smaller firms to launch and gain critical mass to enable them to scale their operations.

Summary

The national trend toward more remote workers is just reaching an inflection point and will see dramatic increases in the coming years as more employers come to understand the cost and productivity benefits of remote work and more employees request it.

The target recruit for Lake County is any worker in the country who values the outdoor lifestyle and scenic beauty. Persons currently working in Denver would also be possible targets.

With the new SCORE chapter, Lake County is improving its appeal as an option for teleworkers, but the absence of 'cool' co-workspace and commercial kitchens are impediments. Right now, Steamboat Springs owns the "Remote Workers Should Move Here" message and have done a good job of promoting themselves to the industry.

Overall, recruiting Location Neutral workers is a viable option for Lake County and holds out great promise because of the growth in the potential market and Lake County's natural attractiveness. The primary obstacles are housing, public education and indoor recreation opportunities. There needs to be more affordable and desirable housing for professionals. The public school system must demonstrate dramatic improvement in order for the County to be able to attract remote workers with families. Finally, there needs to be more indoor recreation amenities in order for Lake County to be a truly great active lifestyle community.

The gaps that need to be closed in order for Lake County to become the premiere destination for recreation-oriented remote workers are significant. The foundations are solidly in place for this to become a reality, however, and may merit the investment and effort required.

The total potential impacts of remote workers in Lake County - assuming 1% of workers are now working remotely and the goal would be to have double the national average of remote workers per capita - is shown in Table 1.

²⁹ www.score.org/our-impact

| Remote Workers Industry Summary | |
|------------------------------------|---------------|
| Potential # of Jobs (3 to 5 years) | 149 |
| Employment Multiplier | 1.132 |
| Ancillary Employment | 169 |
| Total Employment | 318 |
| | |
| Average Industry Wages | \$ 23.08 |
| Average Hours of Work | 40.00 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 12,078,577 |
| | |
| Incremental Property Taxes | \$ 44,286 |

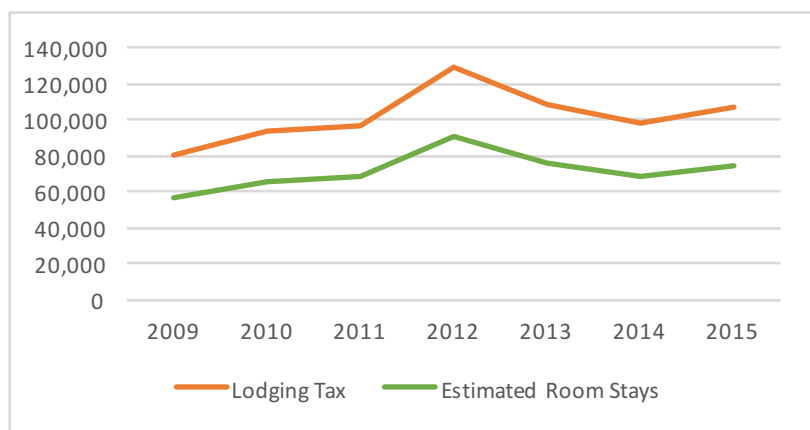
Source: Bureau of Labor Statistics; TTARA Research Foundation;
Business Research Division, Leeds School of Business, University of
Colorado Boulder

Table 1 – Remote Workers Industry Summary

Recreation / Adventure Tourism / Hospitality

The State of Colorado is one of the greatest outdoor recreations destinations in the world. In 2013, Colorado welcomed 64.6M visitors who spent \$17.3B.³⁰ Colorado is home to 12 of the top 30 ski resorts in the country.³¹ 22% of overnight stays in the state are related to outdoor recreation.³²

In Lake County, there have been between 65,000 and 90,000 estimated room stays per year with a 32% increase from 2009 to 2015.



Source: Lake County Budget

Figure 10: Estimated Room Stays

³⁰

www.advancetcolorado.com/sites/default/files/Assets/KeyIndustries/Documents/Profiles/CO-Tourism-and-Outdoor-Rec-Profile.pdf

³¹ Ski Magazine, 2012-2013 Rankings

³² www.advancetcolorado.com/key-industries/tourism-outdoor-recreation

³³ www.ustravel.org/sites/default/files/Media%20Root/

According to the US Travel Association, excluding airfare, for every \$1 spent on accommodations there is another \$3.15 in other tourism spending (food, ground transportation, meals, recreation/amusement, and retail).³³

With total Lake County hotel revenue estimated to be \$5.6M in 2015³⁴, the total non-airfare tourism spending is estimated to be \$23.2M³⁵. Estimating total 2015 county sales of \$130M³⁶ and assuming that 75% of the tourism spending stayed in the County, tourism would represent 13% of all gross sales.

Nationwide, tourism represents 2.7% of GDP so Lake County's economy is nearly five times more reliant on tourism than the national economy.

With an already high level of tourism revenue, is there opportunity for increases and if so, is would the expansion in that sector be beneficial to the County?

Dan Torsell of SkiCooper reports that the ski resort has experienced 20% year over year growth in visitation while revenues are up by 30%. The resort has universally positive feedback on social media as an inexpensive, uncrowded family ski environment that provides a welcome contrast to the glitz, glamour and cost of the other resorts in the area.

There are clearly opportunities for SkiCooper to continue to grow. The resort's 2000 Master Plan identifies expansion opportunities that would increase the number of runs and

Document/US_Travel_AnswerSheet_Jan2016.pdf

³⁴ 2015 Lodging Tax receipts divided by 1.9%

³⁵ The US Travel Association 2014 report indicates that lodging represents 24% of non-public transportation (airfare) tourism spending

³⁶ Projection of county sales based on trend line of historical data

provide more variety for skiers. Among the improvements called for in the master plan is the construction of a lodge on top of the mountain for food and beverage.

Because skiers coming from the front-range never need to go into Leadville when going to SkiCooper, under the current tourism model there would not be significant economic benefits from these extra customers outside of the resort.

One significant opportunity is to increase the cross-promotion between SkiCooper and downtown Leadville.

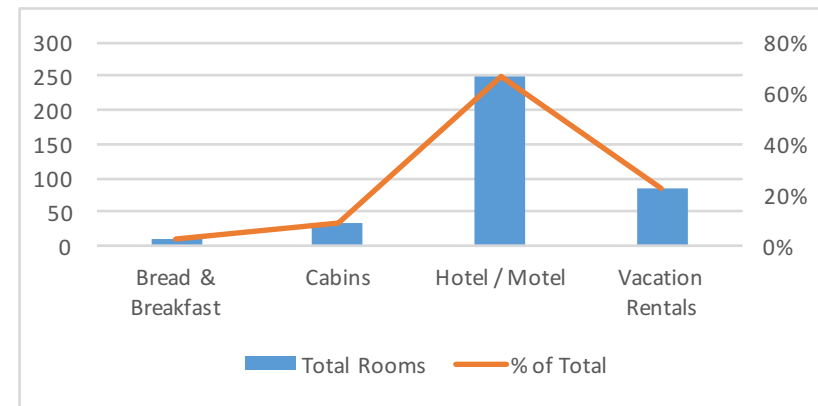
Similarly, there is an opportunity to create package vacation deals that bundle hotel stays in Twin Lakes, Downtown Leadville or a cabin with lift tickets and a meal at a downtown restaurant. Other possible product offerings could include snowmobile excursions, cross country ski rentals and tours, horseback rides, and museum tickets.

The initial set up of the packages would be complex and require significant coordination and a marketing plan would be required. A local collaborative effort to create packages mirrors the cooperative approach used by the Utah Ski and Snowboard Association on their www.skiutah.com website. On skiutah.com, package deals and discounts are linked to specific ski resorts giving geographic relevance to the packages that are offered.

Ski.com out of Aspen and Snow Ventures in Breckenridge provide bundling services that links resorts and hospitality but are limited in other product offerings. SkiCooper was not listed in any of the ski package websites that were surveyed.

One factor that is holding Lake County back from converting more of the SkiCooper visitors into local hotel stays is the current hotel inventory. There are a total of 375 rooms available in Lake County which are Bed and Breakfasts, cabins

for rent, traditional hotel and motel rooms and vacation rentals - homes and rooms for rents on AirBnB or VRBO (see Figure 11). While there are generally sufficient vacancies to accommodate more tourists during any time of the year except the busy summer season, the absence of middle to high end accommodations may be limiting the number of visitors who stay overnight.



Source: Lake County Chamber of Commerce / Better City Research

Figure 11: Rooms by Type

Currently there are no hotels in Lake County that would be classified as a business class hotel – a nationally flagged hotel of the quality of a Hampton Inn, Holiday Inn or Springhill Suites, etc.

Because of the light demand for rooms other than in the summer, however, it would be hard to recruit a large, middle-tier national chain to the County under the current circumstances.

The best opportunity is to change the County's hospitality market by a large-scale recreation-based hospitality project that is a draw in itself and would create its own demand.

The project envisioned by Evergreen Development is just such a project in that it incorporates an indoor water park, luxury spa, conference center, zip line, fishing, tubing and a ski school into a luxury resort hotel. The Evergreen project is exactly the kind of project needed to change the landscape for the hotel industry in Lake County because it is a destination hotel and once this hotel is open and successful it would create the business case and have proven the market for a mid-range hotel.

The Evergreen project or one like it is a significant economic development opportunity for the County.

Conclusion

Though tourism already represents a large part of the County's economy, there are opportunities for further expansion.

A coordinated effort to create package deals with lodging, skiing and other local attractions (museums, dining, snowmobiling, etc.) could create a platform to leverage existing visitation to expand opportunities for other parts of the economy.

The best place to start may be in cross promotion. Greater efforts could be made to advertise other County venues at each tourist destination and everyone who deals with tourists must be trained to know what is available in the County and be able to promote other venues.

The expansion of SkiCooper is a way to leverage an enterprise that is already doing well, growing and attracting visitors to the area, and help it become an even bigger draw.

Finally, having a destination resort in the County that has amenities to draw visitors to the area will be critical in securing a business class hotel. Having a business class hotel

would, in turn, increase the County's viability as a vacation destination.

One note about the recreation / tourism industry. Historically, jobs in these industries have tended to pay wages that are lower than most other industries. Lake County needs to diversify employment and bring high-wage employment into the area.

The strategic importance of expansion of these industries should not be viewed as an end itself, but rather a means to a higher goal. In order to be viewed as a great place to work and live, Lake County needs to increase its 'cool quotient' – it's cachet. While growth in tourism, hospitality and outdoor recreation would certainly have a positive direct economic impact, the more important benefit would be the vitality and energy it would bring to the County.

The total estimated economic impact of adding a major tourist destination hotel is noted in Table 2.

| Tourism Industry Summary | |
|------------------------------------|--------------|
| Potential # of Jobs (3 to 5 years) | 172 |
| Employment Multiplier | 0.469 |
| Ancillary Employment | 81 |
| Total Employment | 252 |
| | |
| Average Industry Wages | \$ 12.08 |
| Average Hours of Work | 20.00 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 4,498,271 |
| | |
| Incremental Property Taxes | \$ 633,534 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation;
Business Research Division, Leeds School of Business, University of
Colorado Boulder

Table 2 – Tourism Industry Summary

High-Altitude Testing

As the highest airport in the United States, the Leadville Lake County Airport (LXV) has two strategic advantage over every other airport in the County.

First, pilots who fly into the airport get a certificate giving them bragging rights for having flown into the highest airport on the continent.

Second, equipment, airplane and helicopter manufacturers need to test equipment at the most extreme conditions. By definition, the Lake County airport represents the most extreme altitude conditions that can be encountered in the United States.

Several helicopter manufacturers test their new products at the airport and the County has been aggressive at recruiting even more. Brad Palmer, Director of Lake County's Road and Bridge Department and Zach Dawson, Airport Operations Technician, recently attended The Heli Expo, the world's largest helicopter trade show and talked with manufacturers about testing at the Leadville Lake County Airport. Most were aware of the airport but not all were aware of the new hangar. They report that they received positive responses from manufacturers.

A crew from Korean Air is currently in Lake County performing testing. In addition to Korean Air, several other testing and aviation companies have used the airport to test equipment

The economic benefits from this testing is primarily from the hospitality and food and beverage spending of the visitors as

well as hangar rental, office rental, and fuel costs paid to the airport.

While it is established that there is a need for high altitude testing for aircraft and helicopters, it is unknown how much of the testing is being done elsewhere. At this point, it isn't clear what percentage of total high altitude testing is already being performed in Lake County and if there is more market share that could be captured.

There are other products like medical devices and some consumer electronic devices that have been tested in Lake County but because it has been infrequent such testing seems to be the exception rather than the rule for manufacturers. There are no requirements that we are aware of for products be qualified and tested at altitude.

The final area where high-altitude testing may lead to a potential new market is in human performance.

When the human body experiences hypoxia (oxygen deficiency) from the diminished oxygen at higher elevations, the body adapts through increased production of hemoglobin. The increase of hemoglobin augments the blood's ability to carry oxygen to the muscles and compensates for the oxygen deficiency. Once the body returns to lower altitude, hemoglobin levels remain high for several weeks – giving the person enhanced ability to get oxygen to the muscles.³⁷

Dozens of studies have been done about the human body's adaptation to altitude and how performance improves upon returning to lower elevations.³⁸

³⁷ www.ncbi.nlm.nih.gov/pmc/articles/PMC3140315/

³⁸

www.en.wikipedia.org/wiki/Effects_of_high_altitude_on_humans#cite_note-Acclimatization-8

There is a potential market for athletes to live and train at high altitude for several weeks in advance of a competition requiring aerobic endurance (i.e. biking, swimming, distance running). A training program could be established in a resort-type setting that could include VO2 Max and lactate threshold testing and gait analysis. There does not appear to be anything similar offered anywhere else.

Conclusion

There is a market for testing some products – primarily in the avionics industries – at high altitude. Currently some testing is done in Lake County and it is unknown if there is other testing that could be brought to the County. Unless a testing facility could be established and some of the work performed at a local lab, the economic impact of the testing would be roughly equivalent to that of tourists.

Training athletes for endurance events may represent another opportunity to bring more visitors to the County. This would require creating a new market for a service not presently offered.

If Lake County were to increase the number of workers in the Professional, Scientific and Technical Services sector to 55% of the national average (from the current 29%) then a total of 16 workers would be added. The total impact is shown in Table 3.

| High Altitude Testing Industry Summary | |
|--|--------------|
| Potential # of Jobs (3 to 5 years) | 16 |
| Employment Multiplier | 1.132 |
| Ancillary Employment | 18 |
| Total Employment | 35 |
| | |
| Average Industry Wages | \$ 38.91 |
| Average Hours of Work | 36.80 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 1,745,573 |
| | |
| Incremental Property Taxes | \$ 24,911 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation; Business Research Division, Leeds School of Business, University of Colorado Boulder

Table 3 - High Altitude Testing Industry Summary

Outdoor Experiential-Based Education

Outward Bound and the High Mountain Institute are two of the leading providers of experience-based education in the country.

Outward Bound's Colorado campus located near Turquoise Lake is one of the company's key locations and brings in students from around the world to experience the remote beauty of the Colorado Rockies. Their programs place "An Emphasis on High Achievement Through Active Learning, Character Development and Teamwork."³⁹

The High Mountain Institute "...nurtures personal growth through interaction with nature and participation in a strong community. [We] promote intellectual, physical and personal development through insistence on academic excellence, our philosophy of mentoring and apprenticing, and rigorous experiential learning. We seek to promote independent thinking and to develop skills of learning and habits of mind that both enhance self-reliance and transfer beyond the boundaries of HMI."⁴⁰

The High Mountain Institute has semester courses designed for high school students who come from throughout the country and helps them maintain their academic coursework while proving expeditionary learning in a natural setting.

In the case of both Outward Bound and High Mountain Institute, the wilderness setting of Lake County becomes part of the classroom and essential to giving their students the kind of challenging experience that will build their confidence and team work.

Lake County's remarkable natural setting combined with its proximity to a major airport makes it a great location for providers of experience-based learning across all categories.

Other similar businesses would be group homes for troubled teens. These facilities are very popular in remote areas and the industry is growing. The group home and orphanage industry nationwide has 7,553 businesses and employs 144,383 so it is a very fragmented industry of predominantly independent operators.⁴¹

Conclusion

With its access to mountains, trails, lakes, cross country and alpine skiing, Lake County has amazing natural assets that make it an ideal location for many experience-based education programs. Specific areas of growth include programs designed for those with disabilities, impairments, or social reintegration needs.

The estimated economic impact of adding more experience-based educational facilities is shown in Table 4. The estimate of the total number of jobs puts employment in the Educational Services sector at 125% of the national average.

³⁹ www.outwardbound.org/about-outward-bound/philosophy/

⁴⁰ www.hminet.org/about-hmi/mission-and-programs

⁴¹ www.ibisworld.com/industry/default.aspx?indid=1603

| Outdoor Education Industry Summary | |
|------------------------------------|--------------|
| Potential # of Jobs (3 to 5 years) | 16 |
| Employment Multiplier | 1.132 |
| Ancillary Employment | 18 |
| Total Employment | 34 |
| | |
| Average Industry Wages | \$ 22.95 |
| Average Hours of Work | 40.00 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 1,273,769 |
| | |
| Incremental Property Taxes | \$ 24,199 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation; Business Research Division, Leeds School of Business, University of Colorado Boulder

Table 4 - Outdoor Education Industry Summary

Health & Wellness

In a 2010 study, 20 overweight men in Germany were taken to an altitude of 8,700 feet for a week and told they could eat and drink as much as they liked and were forbidden to exercise. At the end of the week, the participants had lost an average of three pounds. One month later, they had still kept off two pounds.

The science behind the weight loss is that the participant's satiety hormone, leptin, surged during their time at altitude while their hunger hormone, ghrelin, remained the same. The end result is that they felt less hungry during their time at high altitude and consumed, on average, 730 fewer calories per day. Their metabolic rate also spiked – meaning that they burned more calories performing the same activities.⁴²

The results of another study showed that high altitude residents have a higher basal metabolic rate - the amount of energy expressed in calories that a person needs to keep the body functioning at rest.⁴³ Simply stated, a person burns more calories at altitude just by being in that environment. Perhaps not coincidentally, Colorado has the lowest rate of obesity in the country, according to a 2014 survey conducted by the Centers for Disease Control and Prevention.⁴⁴ As previously mentioned in phase 1, Lake County is one of the healthiest places to live in the country, with low obesity rates and extended life expectancy.

Lake County should be positioned as one of the healthiest communities in the healthiest state in the country. The development and recruitment of a health & wellness micro-cluster presents an incredible area of opportunity that

leverages one of the Lake County's most unique differentiating characteristic – altitude. Leadville is already renowned for its ultra-athletic events catered to elite athletes, which is a very small yet profitable market segment. Swinging the pendulum towards those in sedentary lifestyles opens up a much larger segment and total addressable market, and one that is growing. More than 2 in 3 adults are considered to be overweight or obese, more than 1 in 3 adults are considered to be obese, and more than 1 in 20 adults are considered to have extreme obesity.⁴⁵

| # | State | % of Population |
|----|----------------------|-----------------|
| 1 | Colorado | 21.3 |
| 2 | District of Columbia | 21.7 |
| 3 | Hawaii | 22.1 |
| 4 | Massachusetts | 23.3 |
| 5 | California | 24.7 |
| 6 | Vermont | 24.8 |
| 7 | Utah | 25.7 |
| 8 | Florida | 26.2 |
| 9 | Connecticut | 26.3 |
| 10 | Montana | 26.4 |

Source: Prevalence of Self-Reported Obesity Among U.S. Adults by State and Territory, BRFSS, 2014.

Figure 12: Rankings of States for Obesity

⁴² www.wired.com/2010/02/high-altitude-weight-loss/

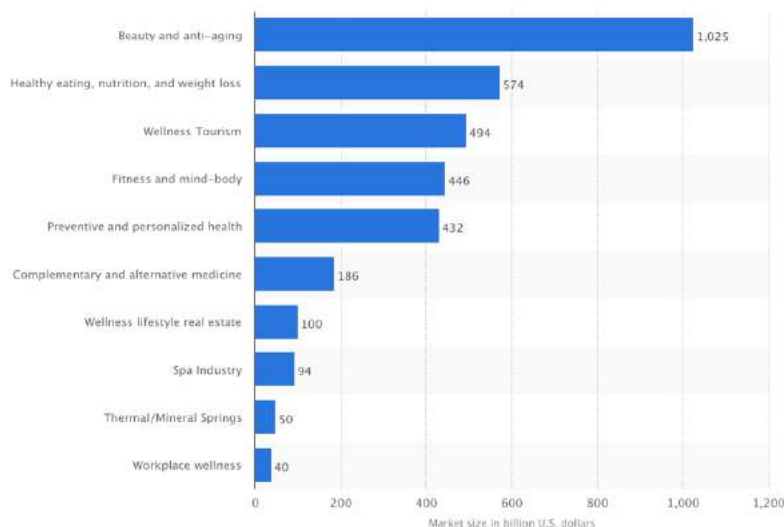
⁴³ *Basal Metabolic Rate and Body Composition at High Altitudes*. E. Pico; n- Reategui. *Journal of Applied Physiology*. 1 May 1961. Vol. 16 no. 3, 431-434.

⁴⁴ *Prevalence of Self-Reported Obesity Among U.S. Adults by State and Territory, BRFSS, 2014.*

⁴⁵ Flegal KM, Carroll MD, Kit BK, Ogden CL. Prevalence of obesity and trends in the distribution of body mass index among US adults, 1999–2010. *Journal of the American Medical Association*. 2012; 307(5):491–97. Available online: <http://jama.jamanetwork.com/article.aspx?articleid=1104933>

The combination of this unique characteristic (altitude) and the existence of an experiential-based outdoor education micro-cluster should be exploited to develop a new micro-cluster in weight-loss resorts within the health & wellness industry. Weight loss spas and resorts are growing in popularity. It is estimated that the total global spending on wellness exceeds \$574B while \$94B is spent on spas (See Figure 13).⁴⁶

Global Health and Wellness Spending



Source: www.statista.com

Figure 13: Global Health and Wellness Spending

⁴⁶ www.statista.com/statistics/270720/market-size-of-the-wellness-industry-by-segment/

⁴⁷ www.statista.com/statistics/200130/us-spa-industry-revenues/

In the US, the spa industry reported 2014 revenue of \$15.5 (see Figure 14)⁴⁷, and in 2014 there were 20,660 spas that received a total of 176M visits.⁴⁸

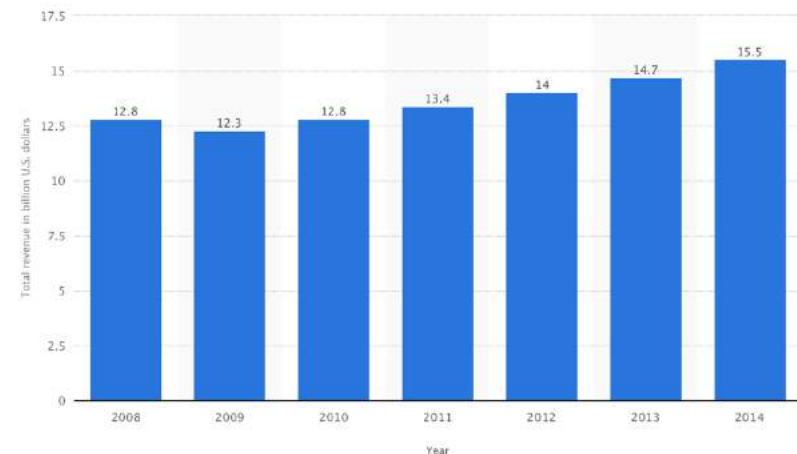


Figure 14: Spa Industry Revenues

Source: www.statista.com

There are not statistics available for spas that specialize in weight-loss, but there is ample evidence that the sub-category is growing rapidly. The “fat farms” of the ‘60’s and ‘70’s have given way to posh spas that provide nutrition coaching, wellness instruction and private exercise sessions.

The Global Weight Management market is projected to grow by 10% annually.⁴⁹ At \$310B in spending in 2014, the US is by far the world’s largest market for the category that includes Devices & Accessories, Services, Foods and Beverages, and

⁴⁸ www.spasofamerica.com/u-s-spa-industry-surpasses-15-billion/

⁴⁹ [www.marketsandmarkets.com/PressReleases/global-market-for-weight-loss-worth-\\$726-billion-by-2014.asp](http://www.marketsandmarkets.com/PressReleases/global-market-for-weight-loss-worth-$726-billion-by-2014.asp)

Drugs, Supplements and Cosmetics. Note in Figure 15 the growth of the service sector.

As spas grow and look for differentiation in a very crowded market, the high altitude model with its benefits founded in biochemistry and physiology could be a powerful new concept.



Figure 15: Spending by Category

Creating a spa at high altitude could be the perfect solution for obese patrons who are limited in their ability to move and exercise and who would benefit from the increased intensity of low-impact exercises at altitude.

In addition, other areas of the health & wellness industry should be pursued including recruiting large and established names in the weight management industry to locate operations in the County. These include cluster participants such as Weight Watchers, Jenny Craig, and Nutrisystem, to name a few. Combined, these providers had approximately \$1.7 billion in revenue over the trailing twelve month period.⁵⁰

⁵⁰ Data downloaded from yahoo finance 4/4/2016.
<https://finance.yahoo.com/q/co?s=WTW+Competitors>

The trend towards wearable technologies and health monitoring mobile applications threaten to make these providers less relevant as consumers increasingly rely on new technologies and health apps to monitor health and weight. However, providing customers with a unique experience at a branded weight loss resort with almost guaranteed weight loss results (since BMR increases at altitude!) will most certainly be an offering that will always have relevance in the marketplace.

The branded weight loss resort approach is already being used under the Biggest Loser name, which has been licensed and used in the development of The Biggest Loser Resorts, which now has four locations.

Conclusion

Lake County can leverage the physiological impact high altitude has on body weight to position itself as a strategic location for weight loss resorts and industry participants in the broader health & wellness industry cluster.

The economic benefits of a \$10M wellness spa employing 50 people is shown in Table 5.

| Health & Wellness Industry Summary | |
|------------------------------------|--------------|
| Potential # of Jobs (3 to 5 years) | 50 |
| Employment Multiplier | 0.469 |
| Ancillary Employment | 23 |
| Total Employment | 73 |
| | |
| Average Industry Wages | \$ 20.97 |
| Average Hours of Work | 24.90 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 2,038,511 |
| | |
| Incremental Property Taxes | \$ 63,353 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation; Business Research Division, Leeds School of Business, University of Colorado Boulder

Table 5 - Health & Wellness Industry Summary

Film Production

As a result of its beautiful and diverse landscapes, Colorado has a vibrant and growing film and media industry. In 2015, 1160 new jobs were created in Colorado by the film, media and gaming industry. The motion picture and video industry in Colorado has grown at a 3.4% compound annual rate over the past three years which is nearly double the national growth rate. In addition to dozens of commercials, three full-length feature films were filmed in the state in 2015.⁵¹

Courtney Potts, the Colorado Office of Film, Television and Media's Program Manager, indicates that there is consistent demand for Colorado locations for filming both movies and commercials. In her estimation, Lake County would be an attractive location for filming because of the clear views of high peaks and pine-surrounded lakes, its many remote roads and Harrison Avenue's fantastic storefronts. Having access to snow from October to May (sometimes even June) is also a benefit for film crews.

In order for Lake County to be a serious player in the filming industry, several things would need to be in place:

- **Film Commission.** There are six film commissions in the state in Boulder, Colorado Springs, the Four Corners area, Park County, Steamboat Springs and Southern Colorado. These organizations are critical for the film industry because they serve as the one-stop-shops for securing permits, help in finding locations, and assisting with logistical arrangements. Most film commissions are housed within other organizations like a Tourism Board, Chamber of Commerce or Economic Development Corporation. None have

dedicated staff but use other staffers to respond to the requests that come along periodically.

- **Accommodations.** Having available business-class hotel and extended stay accommodations for film crews is essential for securing projects.
- **Production Facilities.** Though film crews are used to improvising and creating film production facilities where they are working, it would be a significant competitive advantage to have an established production venue where the crews could plug in and do their on-site production. New markets and historic tax credits combined with tax increment financing and grants could be made available to significantly reduce the cost of adaptively reusing an existing historic building along Harrison Avenue for this purpose.
- **Production Tax Credits.** Colorado does not have a very competitive film production tax credit as compared to other states but the economic benefits of these tax credits to sponsoring states has been questioned.⁵² State tax credits should be used to focus investment in distressed communities and legislative action should be sought to provide a higher, more competitive tax credit to productions occurring within Lake County similar in purpose to the New Markets Tax Credit program.

Lake County benefits from having low real estate and labor costs when compared to surrounding communities and close proximity to well-known and celebrity-patronized resorts. The ability to provide affordable crew labor while providing convenient commuting times from resorts where on-screen talent may seasonally reside is another competitive advantage.

⁵¹ Colorado Office of Film, Television and Media, 2015 Annual Report

⁵²

www.ncsl.org/Portals/1/Documents/fiscal/2014FilmIncentivePrograms.pdf

Cross-pollination of the proposed health & wellness cluster development with the existing active lifestyle/extreme endurance micro-cluster and content production cluster combined with its unparalleled natural beauty and recreational offerings could position the County to be a production location for shows like the Biggest Loser, Amazing Race, Survivor, American Ninja Warrior, and others. In addition, the Hispanic population could be leveraged to target production in the Spanish-speaking entertainment segment and provide additional employment opportunities, translation services, and talent development within and for this demographic group.

Conclusion

Lake County has a key advantage to the film, advertising and movie industries in that it has spectacular natural beauty within close proximity to a major airport. If a film commission were to be developed in Lake County and a post-production facility created, Lake County could have the potential to become a leading location for filming mountain or alpine scenes as well as historic downtowns.

Assuming 3 permanent new positions could be created from having a local production facility, the economic benefits are as follows:

| Film Production Industry Summary | |
|------------------------------------|------------|
| Potential # of Jobs (3 to 5 years) | 3 |
| Employment Multiplier | 1.132 |
| Ancillary Employment | 3 |
| Total Employment | 6 |
| | |
| Average Industry Wages | \$ 20.97 |
| Average Hours of Work | 24.90 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 180,065 |
| | |
| Incremental Property Taxes | \$ 890 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation; Business Research Division, Leeds School of Business, University of Colorado Boulder

Table 6 - Film Production Industry Summary

Twin Lakes Development

Twin Lakes is one of Colorado's most amazing hidden gems. It is almost impossibly beautiful with its alpine lakes and mountain peaks rising from lush forest. Its people are equally unparalleled with their warm and inviting hospitality. They've created a welcoming culture that as a visitor, makes it difficult to leave and plants a desire to return. The small commercial corridor of Twin Lakes overlooks Forest Service land that is not available for development. This is a significant advantage as the beautiful mountain views enjoyed by businesses and patrons can be preserved.



Twin Lakes is an area ripe for increased economic prosperity but its growth is limited by its infrastructure. For example, the local Inn is limited in its ability to grow because of the constraints with its septic system, located on Forest Service land. In addition, Twin Lakes General Store can't even have a public restroom for its patrons because of health regulations that cannot be met without upgrading its water and sewer service. Much to the chagrin of the otherwise accommodating and uber-friendly owners, patrons who need to use the restroom are directed to often-overflowing and poorly

maintained portable toilets across the street on Forest Service property.

Twin Lakes is heavily dependent on second home owners and tourists on their way to Aspen via Independence Pass. The Pass is open from May to November, depending on snow pack. While the Pass is closed, business activity in Twin Lakes drops significantly. Efforts to extend the tourist seasonal could include promoting activities while the upper corridor of the Pass is closed due to snow pack but the lower corridor is navigable. This would provide a unique opportunity to host a bike race or run through the beautiful scenery of the Pass while the road is closed.

The Mt. Elbert Power plant provides local, stable employment of 25 employees and is operated by the Bureau of Reclamation. The Forest Service controls much of the land around Twin Lakes. As the town supports regional Federal interests, grants should be explored through the Department of Interior and USDA for infrastructure needs such as water and sewer and leveraged with DOLA funds. GOCO funding should also be secured to develop out the recreational trails and amenities in Twin Lakes. In addition, the formation of a local service district to administer the infrastructure needs of the local residents should be established.

An operational fire station is one of the largest needs for the residents of Twin Lakes and would significantly reduce their insurance rates. Funding mechanisms through DOLA, Department of the Interior, and USDA should be explored along with the establishment of a local fire district to create the tax base revenue needed to support the ongoing operations.

Twin Lakes would be an ideal location for the extension of the outdoor experiential-based education cluster. Specifically, a camp operator should be recruited to the area to establish a basecamp in Twin Lakes, which would help stabilize the local

general store and Inn. Although the demand for hospitality may not increase as most camp operators would provide their own housing, the Inn restaurant and bar would see an increase in patronage from adult camp counselors and management. An artistic focused camp would fit well with the existing businesses and in particular support and enhance the Shooting Star Gallery, a popular artist gallery in Twin Lakes as well as the tours of historic buildings in InterLaken and the old school house.

Conclusion

Being able to address the infrastructure constraints for Twin Lakes would enable them to unleash their entrepreneurial visions and bring growth to the area. The economic benefits of adding five employees is as shown in Table 7 below.

| Twin Lakes Industry Summary | |
|------------------------------------|------------|
| Potential # of Jobs (3 to 5 years) | 5 |
| Employment Multiplier | 0.469 |
| Ancillary Employment | 2 |
| Total Employment | 7 |
| | |
| Average Industry Wages | \$ 12.08 |
| Average Hours of Work | 40.00 |
| Wages of Support Industries | \$ 13.96 |
| Total New Wages | \$ 193,771 |
| | |
| Incremental Property Taxes | \$ 1,483 |

Sources: Bureau of Labor Statistics; TTARA Research Foundation; Business Research Division, Leeds School of Business, University of Colorado Boulder

Table 7 - Twin Lake Summary

Downtown

How cool is downtown Leadville? Front and center on the website of the Colorado Office of Film, Television and Media – the site film makers are directed to in order to be convinced of Colorado’s appeal as a filming destination – as well as the Colorado Department of Local Affairs, Main Street Program website, are pictures of Harrison Avenue. Walkable Downtowns with contiguous, well-preserved historic building are a rare and disappearing asset. Vibrant, historic downtowns that have been well-preserved and have relevant and unique retailers are significant economic drivers because they are regional draws.

Though Leadville’s buildings are in varying states of preservation / disrepair, overall they are intact and have retained their charm.

Just having a historic downtown, however, is not automatically an economic asset. Historic buildings that haven’t retained their original splendor are more likely to produce regretful feelings of unfilled potential than admiration.

For the most part, downtown Leadville today is suspended in a state of splendid potential rather than realized magnificence.

The challenge is the economics of restoration. In order to meet building codes and do the buildings justice, restoration of historic buildings is very expensive. Costs of restoring a historic building can easily exceed \$200 per square foot – significantly higher than building a new structure.

Because of the slow shoulder seasons, businesses along Harrison Avenue struggle and don’t have the means to invest in significant renovation projects. Without widespread renovations, however, the downtown’s prospects are not likely to improve and the businesses will not be able to escape the

status quo. Without investment, the downtown will remain stuck in the shadow of its potential.

Kyle Welch with his restoration of the Sayer-McKee building has provided a model of how to restore downtown. Mr. Welch has made a significant investment in not only restoring the historic building but also in incorporating modern elements and cutting edge architecture to create a dynamic fusion of the historic past and modern amenities.

The success of this project as well as the renovation of the Tabor Grand Building are essential to proving the concept that he has pioneered. To the extent that Mr. Welch and others are successful, others will be induced to follow their lead in investing in the historic buildings.

A remaining challenge will be access to capital. The majority of the building owners along Harrison Avenue are not adequately capitalized to take on a project of Sayer-McKee’s scope and expense.

Some potential mechanisms to close the financing gaps would be applications for historic preservation credits, state historic grant funds, private/public financial arrangement and tax increment financing.

All of these alternative financing arrangements require significant effort and expertise in establishing and executing. The involvement of the EDC and potentially development professionals would be required.

Summary

Downtown Leadville is too important an asset to not leverage to its maximum. Harrison Avenue is and should be the heart of Lake County and needs to be invested in to make it a regional destination. Having a defined and acknowledged center for entertainment, retail and commerce creates a

vibrancy for a whole community and is an economic foundation for the entire County.

Kyle Welch's Sayer-McKee restoration is a visionary project and its success is critical to spurring other investment in downtown. The County's stakeholders should do everything they can to help that project succeed so that other investors will enter the market and replicate that model.

Investment is going to be difficult for most of the current building owners along Harrison Avenue. Sources of financing, as well as educational and training resources, need to be developed to assist under-capitalized owners.

Retail Leakage

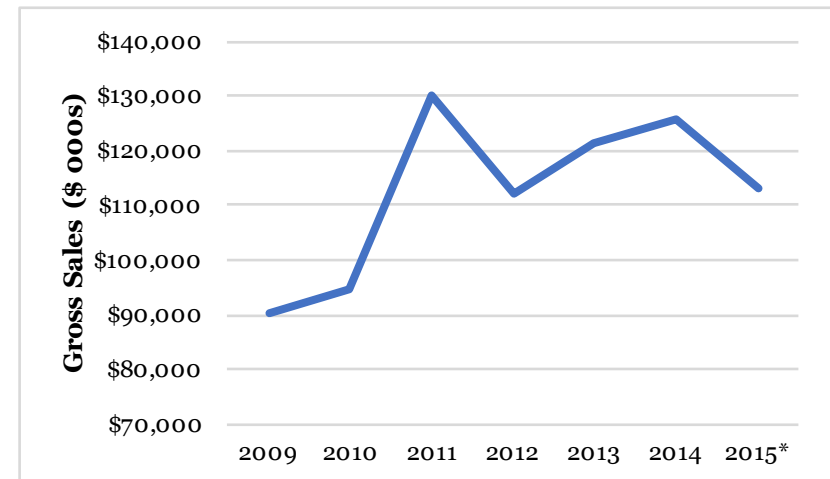
A retail leakage study is a fairly standard analysis conducted by communities to determine the amount and type of retail activity that is leaving, or “leaking” from the local economy and into surrounding communities. Identifying the source of the leakage provides insight into retail offerings that are lacking within the local economy. By addressing the causes of the retail leakage, communities are able to attract more spending and economic activity which supports the local businesses that have been negatively impacted by the leakage.

Some amount of leakage in a county with a population the size of Lake County is inevitable. It is nearly impossible for a small population base to support and provide a solution for every retail need experienced by a diverse population, and as a result leakage at some level will continue to occur. Therefore, a traditional retail leakage analysis may provide insights, but without significant population growth it may be difficult to address the leakage and recapture the lost retail activity. For this reason, the following analysis takes a broader approach and considers other goods and services in addition to traditional retail to identify opportunities for economic expansion. By addressing goods and services leakage in addition to retail leakage, the County has a greater chance of capturing lost economic activity.

Economic Activity Trends

Lake County has been positively impacted by the reopening of the Climax Mine within the County. This reopening of the mine created a tangible uptick in economic activity as shown in Figure 16. The gross sales increased by 44% from 2009 to 2011. Economic activity fluctuated between 2011 and 2014, but appears to be stabilizing around \$120M per year.

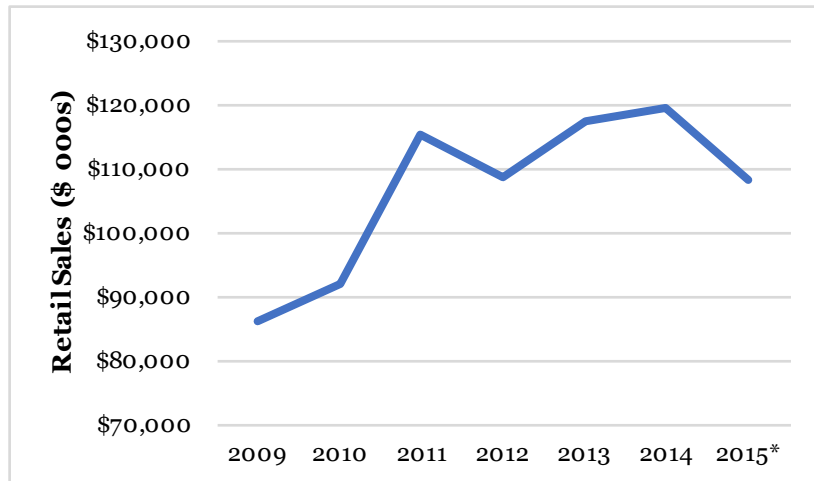
At the time of this writing, the Colorado Department of Revenue has only reported 2015 data through June, 2015. The reported value for 2015 throughout this analysis is an estimate and assumes that economic activity for the second half of 2015 continued at the same velocity as the first half. The decline shown in 2015 may be a factor of seasonality in the economic cycle and is not an area of concern unless it is confirmed once additional data is released.



Source: Colorado Department of Revenue

Figure 16: Gross Sales for Lake County, 2009-2015

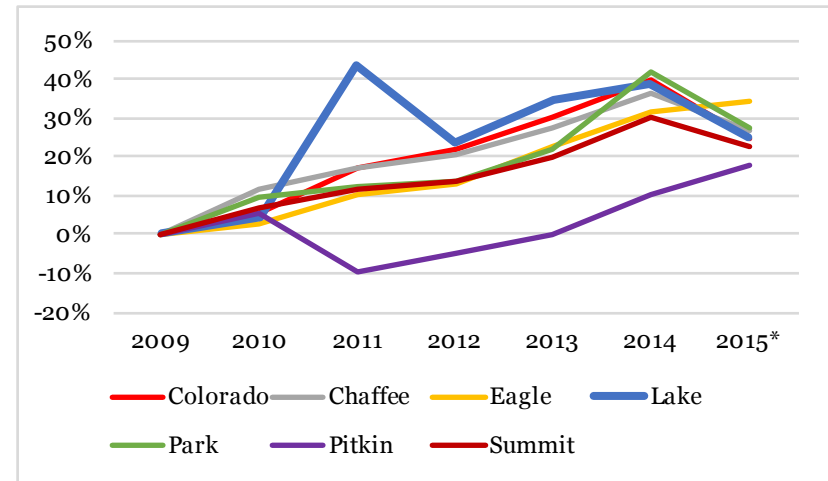
Retail sales have followed a similar growth pattern and show that the majority of gross sales within the County can be attributed to retail transactions (see Figure 17).



Source: Colorado Department of Revenue

Figure 17: Retail Sales for Lake County, 2009-2015

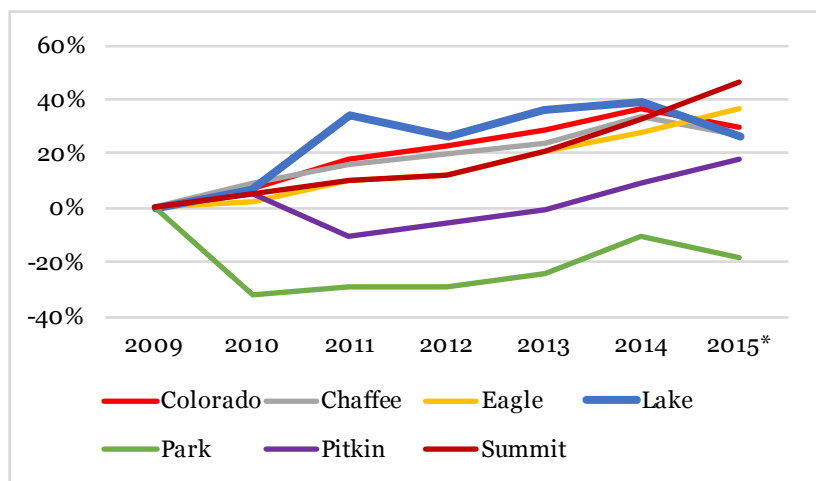
To determine whether the growth in economic and retail activity within the County is attributable to local factors or regional factors, economic activity for Lake County was compared to surrounding counties and the State (see Figure 18). Due to the differences in scale between these different locales, 2009 activity was used as a baseline and subsequent years are reported as a percentage of increase or decrease from the baseline. The graph does not show year-over-year growth as each year is compared to the baseline. As described previously, 2015 data includes reported data through June, 2015 and an estimate for July through December.



Source: Colorado Department of Revenue

Figure 18: Gross Sales Comparison, 2009-2015

Lake County performed at or above the State and regional average based on baseline (2009) performance in every year. Lake County also led the pack in terms of growth over the baseline for retail sales over the same time period (see Figure 19).



Source: Colorado Department of Revenue

Figure 19: Retail Sales Comparison, 2009-2015

Without the opening of the Climax mine and the associated induced economic activity, it is very likely that Lake County would have lagged behind State and regional growth.

Economic Category Performance

While Lake County outperformed expectations in terms of sales growth since 2009, the trend alone does not provide insight into performance of various categories of economic activity. To gain insight into which categories are stable, which are struggling, and which have an opportunity to expand, a greater level of detail is needed. To this end, a snapshot of economic performance was analyzed using the United States 2012 Economic Census. The 2012 Economic Census was selected as the primary data source because it provides a greater level of detail for the County's economic performance than other available datasets.

As shown in the figures and analysis in the Economic Activity Trends section of this report, economic output of the County has remained relatively stable between 2012 and today, and therefore the 2012 Economic Census data is assumed to still be relevant.

For the following analysis, the number of establishments and sales (revenue) within each economic category for the State of Colorado was used to determine the average number of establishments per 1,000 Colorado residents, and the average level of sales per capita. Categories are based on NAICS codes, and are accurate insofar as business owners reported the nature of their business activity correctly.

Wholesale Trade

Wholesale trade activity in the County is lagging behind State averages (see Table 8). Specifically, the Colorado average would suggest that approximately ten wholesale establishments should be present within the County, whereas there were only four reported establishments as of 2012. Sales per capita within the wholesale trade category for the State is approximately \$23,519. Sales data for wholesale operators within the County is withheld due to the small number of operators and the inability to report information without disclosing confidential data of specific operators. However, with so few wholesale establishments it is likely that the County is also not capturing the level of sales activity that is possible.

Specific areas within the wholesale trade category that are ripe for expansion is difficult to determine. While local stakeholders specifically described the lack of construction material wholesalers and resulting construction cost premium, the current size of the population does not justify additional establishments in this category. Combining NAICS codes that cover lumber, brick/stone, roofing, and other construction

materials indicates that less than one establishment (0.6 specifically) in this category would be supported by the local population base.

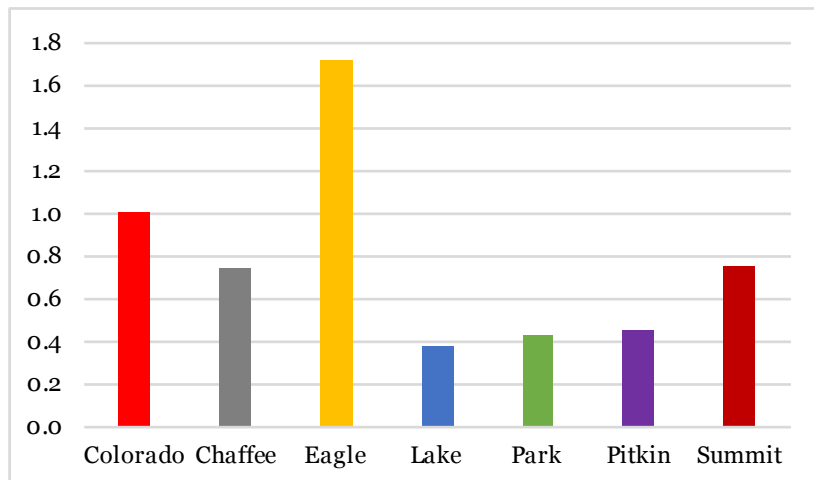
| Economic Activity Category | Establishments | Establishments per 1,000 residents (Colorado) | Sales per Capita (Colorado) | Anticipated # of Estab. for Lake County | Actual # of Establishments | Lake County Sales per Capita |
|--|----------------|---|-----------------------------|---|----------------------------|------------------------------|
| Wholesale trade | 7,224 | 1.43 | \$ 23,519 | 10.56 | 4 | Withheld |
| Lumber, plywood, millwork, and wood panel merchant wholesalers | 151 | 0.03 | \$ 279 | 0.22 | - | Withheld |
| Brick, stone, and related construction material merchant wholesalers | 76 | 0.02 | Withheld | 0.11 | - | Withheld |
| Roofing, siding, and insulation material merchant | 45 | 0.01 | \$ 104 | 0.07 | - | Withheld |
| Other construction material merchant wholesalers | 64 | 0.01 | Withheld | 0.09 | - | Withheld |
| Construction and mining (except oil well) machinery and equipment merchant wholesalers | 104 | 0.02 | \$ 242 | 0.15 | - | Withheld |
| Other grocery and related products merchant | 241 | 0.05 | Withheld | 0.35 | 1 | Withheld |
| Petroleum bulk stations and terminals | 68 | 0.01 | \$ 785 | 0.10 | 1 | Withheld |
| Beer and ale merchant wholesalers | 37 | 0.01 | \$ 224 | 0.05 | 1 | Withheld |
| Other miscellaneous nondurable goods merchant | 189 | 0.04 | \$ 73 | 0.28 | 1 | Withheld |

Source: 2012 Economic Census

Table 8: Wholesale Trade Analysis, 2012

The number of wholesale establishments within the County is also similar to what is found in neighboring counties (see Figure 20). For ease of comparison, Figure 20 (and similar figures throughout the remainder of the goods and services leakage analysis) defines the number of establishments per 1,000 residents in the State of Colorado as 1.0, and the number of establishments, or the amount of sales for each respective county is reported relative to the State average. For example, a reported value of 2.0 would mean that the respective county has twice as many establishments within a particular economic activity category as would be expected based on the local population size. A value of 3.0 would have three times as many, etc.

The data suggests that Eagle County has established itself as the regional hub for wholesale trade. Until there is significantly more building activity and a significant increase in local population within Lake County, the current level of wholesale trade activity is likely to continue.



Source: 2012 Economic Census

Figure 20: Wholesale Trade Establishments Comparison, 2012

Retail Trade

The County had thirty reported retail trade establishments in 2012, which is slightly higher than the twenty-seven that would be expected based on the Colorado average (see Table 9). While the total number of establishments within the retail trade category is on par with the State average, the sales per capita is substantially lower at \$5,073 instead of \$13,448. The difference in spending per capita, \$8,375, when extrapolated to reflect the local population suggests that approximately \$61.7M of potential retail activity is leaking from the County and is going to other markets.

The low volume of sales combined with the appropriate number of establishments indicates that the current retail activity is being spread too thin which makes it very difficult for local retail operators to survive. Without an increase in demand drivers, the market may not be able to continue to support the current number of retail establishments.

Looking at subcategories within the retail trade category within Table 9 does not yield any blatant discrepancies or deficits in retail offerings within the County, and rather suggests an overall low level of activity.

Sporting goods stores appear to be one of the most successful categories within the County as evidenced by the presence of three more establishments than would be expected based on the population alone. The outdoor recreation reputation of Leadville contributes to the success of these retail establishments and is a potential opportunity for future retail activity growth.

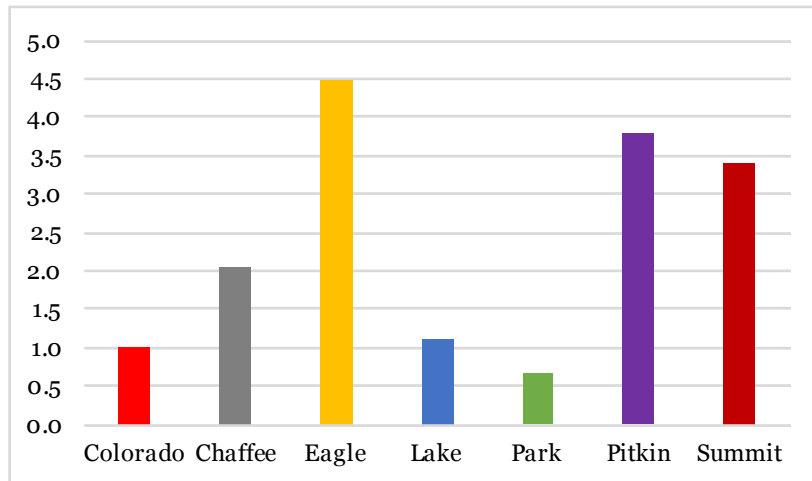
The County also has four more gasoline stations/convenience stores than would be expected. The high number is expected because a large portion of local workers commute to neighboring counties for employment.

| Economic Activity Category | Establishments | Establishments per 1,000 residents (Colorado) | Sales per Capita (Colorado) | Anticipated # of Estab. for Lake County | Actual # of Establishments | Lake County Sales per Capita |
|--|----------------|--|-----------------------------------|--|-------------------------------|------------------------------------|
| Retail trade | 18,474 | 3.66 | \$ 13,448 | 27.01 | 30 | \$ 5,073 |
| Automotive parts and accessories stores | 598 | 0.12 | \$ 169 | 0.87 | 1 | Withheld |
| Tire dealers | 391 | 0.08 | \$ 155 | 0.57 | 1 | Withheld |
| Hardware stores | 243 | 0.05 | \$ 84 | 0.36 | 1 | Withheld |
| Other building material dealers | 615 | 0.12 | \$ 291 | 0.90 | 2 | Withheld |
| Nursery, garden center, and farm supply stores | 311 | 0.06 | \$ 119 | 0.45 | 1 | Withheld |
| Supermarkets and other grocery (except | 800 | 0.16 | \$ 2,123 | 1.17 | 2 | Withheld |
| Beer, wine, and liquor stores | 1,240 | 0.25 | \$ 336 | 1.81 | 1 | Withheld |
| Pharmacies and drug stores | 391 | 0.08 | \$ 377 | 0.57 | 1 | Withheld |
| All other health and personal care stores | 208 | 0.04 | \$ 35 | 0.30 | 1 | Withheld |
| Gasoline stations with convenience stores | 1,435 | 0.28 | \$ 1,166 | 2.10 | 6 | \$ 1,802 |
| Women's clothing stores | 571 | 0.11 | \$ 98 | 0.83 | 1 | Withheld |
| Sporting goods stores | 793 | 0.16 | \$ 266 | 1.16 | 4 | Withheld |
| Book stores | 119 | 0.02 | \$ 36 | 0.17 | 1 | Withheld |
| All other general merchandise stores | 371 | 0.07 | \$ 102 | 0.54 | 2 | Withheld |
| Gift, novelty, and souvenir stores | 539 | 0.11 | \$ 51 | 0.79 | 1 | Withheld |
| Used merchandise stores | 444 | 0.09 | \$ 65 | 0.65 | 1 | Withheld |
| Fuel dealers | 101 | 0.02 | \$ 48 | 0.15 | 1 | Withheld |

Source: 2012 Economic Census

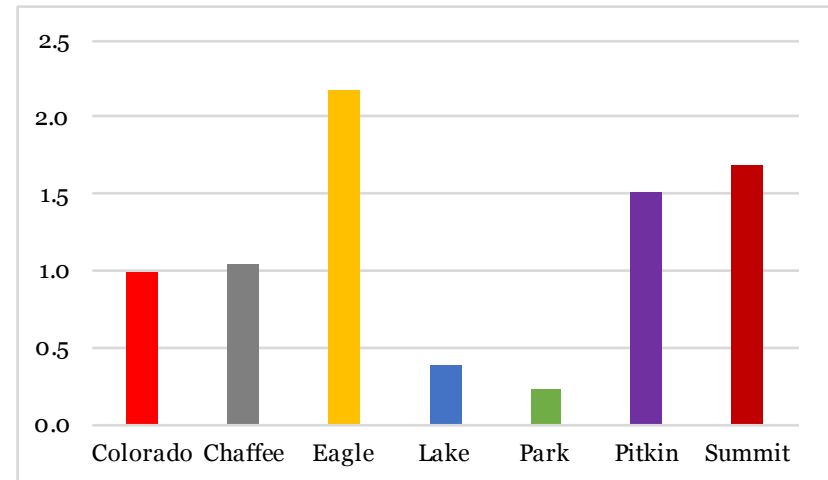
Table 9: Retail Trade Analysis, 2012

Lake County has a much lower number of retail establishments per capita than its neighboring counties (see Figure 21). The neighboring counties of Eagle, Pitkin, and Summit in particular are able to support the large number of establishments due to the tourism industry that imports money from across the globe. As a result, while Lake has an adequate selection of retailers based on Colorado averages, it appears to be lacking in offerings in the eyes of many local residents because they are comparing Leadville to neighboring resort communities. The perceived disparity in offerings is likely the driving factor behind the County's low per capita spending for retail (see Figure 22).



Source: 2012 Economic Census

Figure 21: Retail Trade Establishments Comparison, 2012



Source: 2012 Economic Census

Figure 22: Retail Spending per Capita Comparison, 2012

Finance, Insurance, and Real Estate

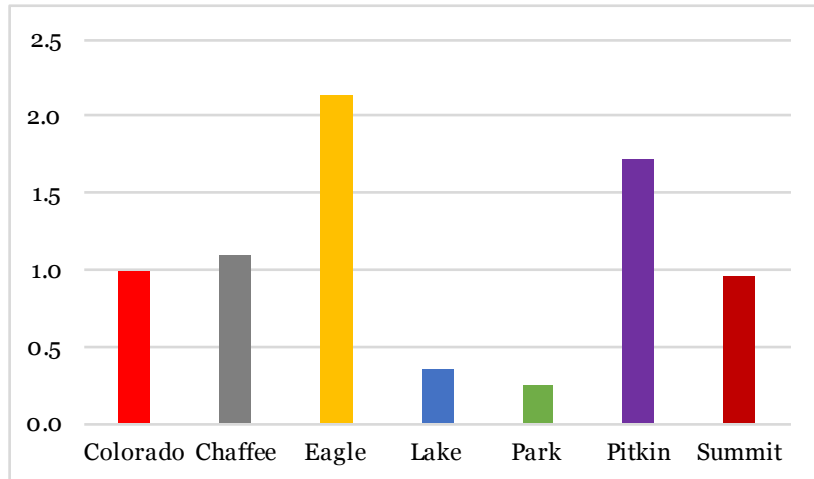
Lake County is substantially lacking in financial and insurance offerings and only had five reported establishments in 2012 whereas the State average would suggest that fourteen establishments should be sustainable (see Table 10). The number of banks, credit unions and securities brokerages is on par, and the discrepancy is due to a lack of insurance firms and other more specialized financial institutions (data not shown). The real estate market within the County has the anticipated number of establishments based on State averages.

| Economic Activity Category | Establishments | Establishments per 1,000 residents (Colorado) | Sales per Capita (Colorado) | Anticipated # of Estab. for Lake County | Actual # of Establishments | Lake County Sales per Capita |
|---|----------------|--|-----------------------------------|--|-------------------------------|------------------------------------|
| Finance and insurance | 9,828 | 1.95 | Withheld | 14.37 | 5 | Withheld |
| Commercial banking | 1,688 | 0.33 | Withheld | 2.47 | 3 | Withheld |
| Credit unions | 304 | 0.06 | \$ 167 | 0.44 | 1 | Withheld |
| Securities brokerage | 939 | 0.19 | \$ 349 | 1.37 | 1 | Withheld |
| Real estate and rental and leasing | 9,295 | 1.84 | \$ 1,682 | 13.59 | 13 | \$ 389 |
| Lessors of nonresidential buildings (except | 585 | 0.12 | \$ 184 | 0.86 | 1 | Withheld |
| Lessors of miniwarehouses and self-storage units | 374 | 0.07 | \$ 40 | 0.55 | 1 | Withheld |
| Lessors of other real estate property | 213 | 0.04 | \$ 34 | 0.31 | 1 | Withheld |
| Offices of real estate agents and brokers | 3,550 | 0.70 | \$ 343 | 5.19 | 4 | Withheld |
| Residential property managers | 1,143 | 0.23 | \$ 140 | 1.67 | 3 | Withheld |
| Video tape and disc rental | 66 | 0.01 | \$ 4 | 0.10 | 1 | Withheld |
| Recreational goods rental | 107 | 0.02 | \$ 13 | 0.16 | 1 | Withheld |
| Other commercial and industrial machinery and equipment rental and leasing | 169 | 0.03 | \$ 86 | 0.25 | 1 | Withheld |

Source: 2012 Economic Census

Table 10: Finance, Insurance, and Real Estate Analysis, 2012

The neighboring counties of Eagle and Pitkin are currently capturing the demand for financial and insurance offerings that are lacking within Lake County (see Figure 23).



Source: 2012 Economic Census

Figure 23: Finance and Insurance Establishments Comparison, 2012

The finance and insurance category of economic activity represents a potential area of opportunity for Lake County. At a minimum, the potential exists to recapture the leakage that is currently occurring, but there may also be an export opportunity for the County.

The relative cost of doing business within this category due to real estate and labor costs is substantially less in Lake County than it would be in either Eagle or Pitkin. Additionally, services provided through financial and insurance institutions are typically location neutral, and are expected to become increasingly location neutral as technology continues to open up opportunities for remote access. Therefore, with the right incentives and recruiting some of the firms that are currently operating from Eagle or Pitkin may be persuaded to relocate to Lake to decrease overhead expenses and increase profit

margins while still maintaining a regional presence near the existing resort communities.

Healthcare and Social Assistance

Lake County lags behind State averages in both the number of establishments within the healthcare and social assistance category as well as spending per capita (see Table 11). If the current spending per capita within the County of \$2,480 were increased to the State average of \$5,848, an additional \$24.8M of economic activity would be injected into the local economy. The rural nature of the County may make it difficult to capture 100% of the potential healthcare demand, but a detailed survey that identifies which services are being sought for outside the County may provide insight into potential service offerings.

| Economic Activity Category | Establishments | Establishments per 1,000 residents (Colorado) | Sales per Capita (Colorado) | Anticipated # of Estab. for Lake County | Actual # of Establishments | Lake County Sales per Capita |
|---|----------------|---|-----------------------------|---|----------------------------|------------------------------|
| Health care and social assistance | 14,869 | 2.95 | \$ 5,848 | 21.74 | 14 | \$ 2,480 |
| Offices of physicians (except mental health) | 2,995 | 0.59 | \$ 998 | 4.38 | 3 | \$ 240 |
| Offices of dentists | 2,791 | 0.55 | \$ 412 | 4.08 | 2 | Withheld |
| Offices of physical, occupational and speech therapists, and audiologists | 779 | 0.15 | \$ 70 | 1.14 | 1 | Withheld |
| Offices of all other miscellaneous health | 816 | 0.16 | \$ 49 | 1.19 | 2 | Withheld |
| Outpatient mental health and substance abuse | 240 | 0.05 | \$ 78 | 0.35 | 1 | Withheld |
| General medical and surgical hospitals | 74 | 0.01 | \$ 2,226 | 0.11 | 1 | Withheld |
| Child and youth services | 223 | 0.04 | \$ 31 | 0.33 | 1 | Withheld |
| Community food services | 81 | 0.02 | \$ 34 | 0.12 | 1 | Withheld |
| Temporary shelters | 73 | 0.01 | \$ 10 | 0.11 | 1 | Withheld |
| Child day care services | 1,084 | 0.21 | \$ 103 | 1.58 | 1 | Withheld |

Source: 2012 Economic Census

Table 11: Healthcare and Social Assistance Establishments Analysis, 2012

Accommodation and Food Services

Lake County had approximately double the number of anticipated establishments within the accommodation and food services category (see Table 12). The beautiful landscape

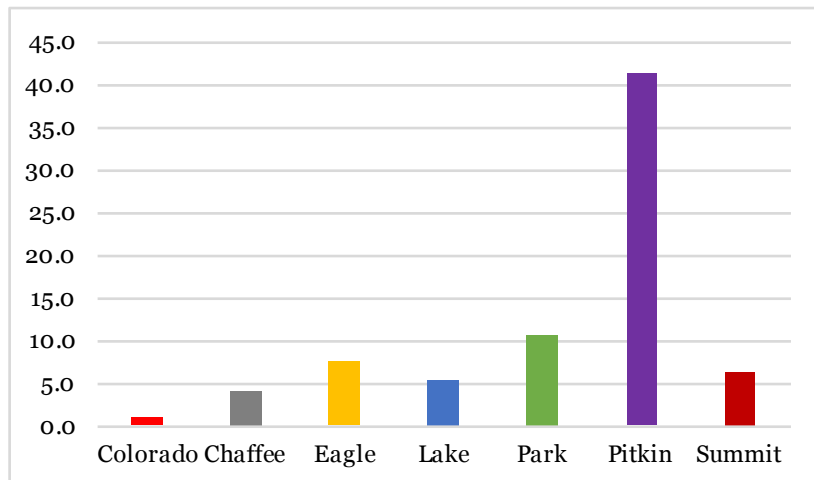
of the County and the draw of popular events such as the Leadville 100 have contributed to the number of establishments by increasing local demand for services within this category. In particular, the County has a high number of hotels, restaurants, and drinking establishments relative to its population.

| Economic Activity Category | Establishments | Establishments per 1,000 residents (Colorado) | Sales per Capita (Colorado) | Anticipated # of Estab. for Lake County | Actual # of Establishments | Lake County Sales per Capita |
|---|----------------|---|-----------------------------|---|----------------------------|------------------------------|
| Accommodation and food services | 12,744 | 2.53 | \$ 2,700 | 18.63 | 37 | \$ 1,778 |
| Hotels (except casino hotels) and motels | 1,151 | 0.23 | \$ 646 | 1.68 | 9 | \$ 492 |
| Bed-and-breakfast inns | 78 | 0.02 | \$ 4 | 0.11 | 1 | Withheld |
| All other traveler accommodation | 71 | 0.01 | \$ 6 | 0.10 | 2 | Withheld |
| RV (recreational vehicle) parks and campgrounds | 102 | 0.02 | \$ 8 | 0.15 | 1 | Withheld |
| Food service contractors | 406 | 0.08 | \$ 104 | 0.59 | 3 | Withheld |
| Drinking places (alcoholic beverages) | 753 | 0.15 | \$ 83 | 1.10 | 4 | Withheld |
| Full-service restaurants | 4,691 | 0.93 | \$ 903 | 6.86 | 9 | \$ 522 |
| Limited-service restaurants | 3,821 | 0.76 | \$ 636 | 5.59 | 7 | Withheld |
| Snack and nonalcoholic beverage bars | 1,155 | 0.23 | \$ 124 | 1.69 | 1 | Withheld |

Source: 2012 Economic Census

Table 12: Accommodation and Food Service Analysis, 2012

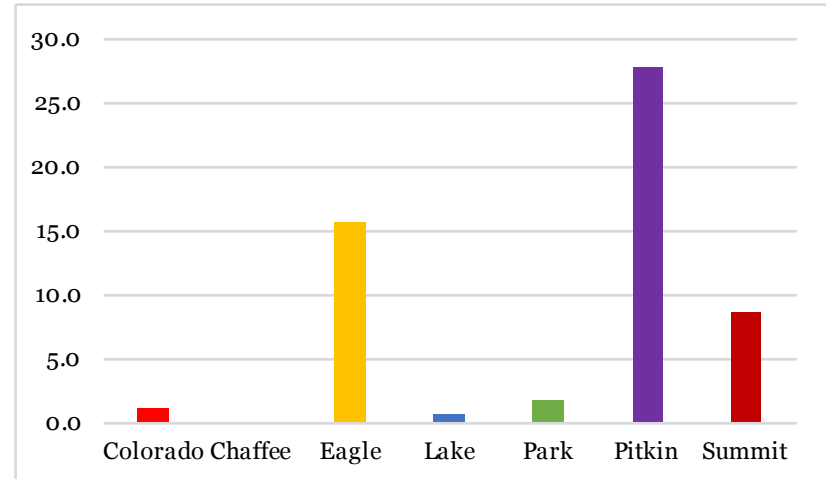
Hotel demand is not necessarily dictated by the size of the local population, but the number of hotels per capita still provides a worthwhile comparison because it indicates to what extent the local market is able to differentiate itself and attract visitors relative to the State generally. Lake County therefore has been effective in drawing visitors relative to the State, but the number of hotels and hotel revenue is dwarfed by the neighboring counties of Eagle and Pitkin (see Figure 24 and Figure 25).



Source: 2012 Economic Census

Figure 24: Number of Hotels per Capita Comparison, 2012

Hotel revenue per capita within the County lags slightly behind the State average. A new hotel with exciting amenities and features may be able to help raise the revenue per capita by establishing a new standard for accommodations within the County and is a potential opportunity that warrants further exploration. Revenue data for Chaffee County is not available due to confidentiality concerns.



Source: 2012 Economic Census

Figure 25: Hotel Revenue per Capita Comparison, 2012

While the small number of restaurants was mentioned frequently by local stakeholders as an area of concern, the number of full-service restaurants within the County is on par with the State average (see Figure 26).

However, on a per capita basis the County's full-service restaurants earn approximately \$382 less per local resident than average (\$522 per resident vs. \$636 across the State; see Table 12). In other words, the offerings of the existing local restaurants are not currently sufficient to capture the anticipated local demand. As a result, approximately \$2.8M of potential full-service restaurant revenue is leaving the County.

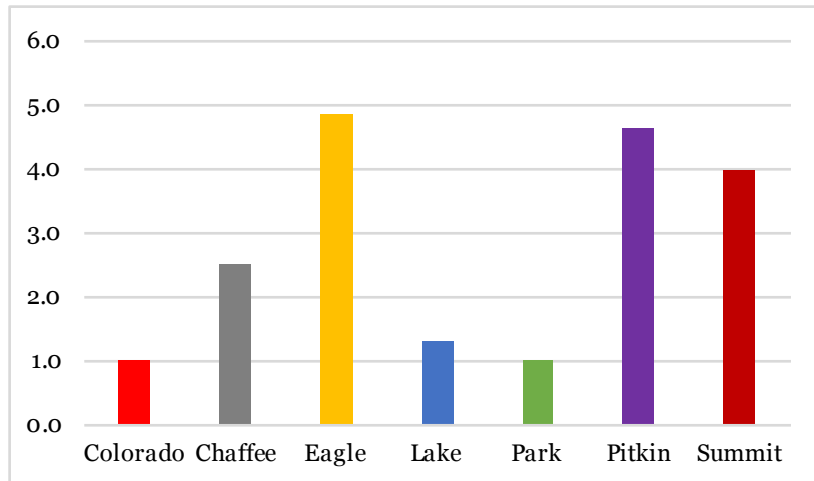


Figure 26: Full-service Restaurant Establishments Comparison, 2012

In addition to the opportunities described herein, new demand drivers within the County will be needed to help retain local demand as well as to attract tourism spending. Additional potential demand drivers will be explored in a later section of the Economic Development Strategic Plan.