Town of Rangely

RDA Packet

October 13, 2016 @ 7:30 a.m.

1 – Agenda

AGENDA
RANGELY DEVELOPMENT AGENCY
October 13, 2016
*** 7:30 a.m. ***

Brad Casto, Chairman

Tim Webber – Vice Chair
Karen Reed
David Morton

Lenora Smuts - Treasurer
Sarah Nielsen
Andrew Key

Ex-Officio
Rio Blanco County Commissioner – Jon Hill
School District Representative – Joyce Key
Tax Entity Representative(s) – Vacant (TBD)

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1) Call to Order

2) Roll Call

3) Approval of Minutes of September 15, 2016

4) Changes to the Agenda

5) Old Business

6) New Business
   a. Discussion and Approval of the Financial Statement for September 2016 ***(September Financials will be available at the meeting)***
   b. Discussion and Approval of the 2017 Draft Budget ***(See Attached)***
   c. Confirmation of Rio Blanco County Commissioner Jon Hill and RE-4 School District Trustee Joyce Key as Ex-Officio members to the RDA Board.
   d. Discussion and Approval of the Draft Small Grant Program Application Criteria for the benefit of Small Businesses residing within the Urban Renewal Plan Area in Rangely. ***(Blue Highlights are the areas being considered at this time) (See Attached Grant Modifications)***
   e. Discussion and Review of Coop Grocery Pro's and Con's and the Iowa Cooperative Studies and determination of next steps regarding the Cooperative Grocery Concept.
   f. Discussion and Action to establish the second Thursday of each month at 7:30A.M. as the RDA regular meeting date and time.
   g. Discussion and Action on approving an organizational modification to the RDA Board in compliance with Colorado Revised Statute to a 10 or 13 member board in order to make room for the Ex-Officio members and additional taxing entity nominees to the RDA Board.

7) Information

   a. Rangely Potential Layout – East and West End
      - West Side of block
      - Rangely potential layout

   b. MRO Feasibility
   c. Rangely Development Project with revised TIF Analysis
   d. The Connection between energy, recreation and tourism.

8) Adjourn

3 – Minutes

MINUTES
RANGELY DEVELOPMENT AGENCY
September 15, 2016
*** 7:30 a.m. ***

Brad Casto, Chairman

Tim Webber – Vice Chair
Karen Reed
David Morton

Lenora Smuts - Treasurer
Sarah Nielsen
Andrew Key

Ex-Officio
Rio Blanco County Commissioner – Jon Hill
School District Representative – Joyce Key
Tax Entity Representative – Vacant

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1) Call to Order

2) **Roll Call** Brad Casto, Tim Webber, Lenora Smuts, Karen Reed, Sarah Nielsen, David Morton present, Andrew Key, Joyce Key, Jon Hill absent

3) **Approval of Minutes of August 24, 2016** - Motion to approve the minutes of August 24, 2016 made by David Morton, seconded by Lenora Smuts, motion passed

4) **Changes to the Agenda**

5) **Old Business** - Peter Brixius presented an update on the Better Cities project. Peter said this could be a group effort with our attendance. The school district, the hospital board ***(not yet received)*** and the Town Board have given letters of support towards pursuing the project. Clark's market has submitted a letter of interest about operating the grocery store. Peter stated that we obviously have issues with endorsements from other boards and other community members have wavering opinions about the project. Peter continues to move forward with the education and asking for approval of the project as he has been instructed by the trustee's. Peter believes we need to continue the education process. We possibly need to have a Town Wide meeting, have surveys about what the communities concerns are and make sure we hear everyone's concerns. The feedback that seems to be coming back is that the activity between CNCC and the Town of Rangely as originally presented, are a large concern for the community. The full service grocery store, which was identified as one of the primary needs of the community and was brought up repeatedly in the survey process by Better Cities. This was one of the basic needs of trying to satisfy the fundamental needs of the community, and then continue to move forward with other aspects of the project. The question keeps coming up about how will families make the decision to move or relocate here if we do not satisfy some of these fundamental needs within a community which include a hospital, schools and basic services with a grocery still being very high on a list of priorities. Peter just got back

from Washington, he went with a group of veterans. It was a great trip for two days to see the memorials which were erected many years after the wars were over. There were many points of contention when deciding about where and what the memorials would become and it took many years to work these differences out. Finally after many years of controversy, the congress determined they could no longer wait to build because the veterans being honored were passing on. Peter looks as these projects in a similar way. Any major project is going to be scrutinized and may not please everyone. Many of the elements of this project still need to be discussed and possibly reworked to get buy-in from the businesses and community. We do know that the college is a key asset in our community and should be a focal point for diversification and growth. Peter says one of the bigger concerns is that Extractions will not come back in the same manner in which it had been supporting our community. The Mine has a finite future from everything I'm hearing. We have $100,000 invested in the planning process including the $75,000 in grant funding to researching these strategies and we need to come together and find a way to move forward.
Lisa Hatch stated that many of the operators and many of the mines are not going to come back at the same level that we have seen in the past.
Roger Polley wanted to thank everyone for volunteering for everything that you do also thank Peter for doing a lot of things for a lot of people. Roger does not believe that the grocery store project is going to make a change in our economy. He does not believe that Better City has a vested interest in our community or that they have presented a plan that will change our economy. What they were hired to do is provide some idea's that would generate an economic benefit. The first thing Kelby brings up is that we must have a grocery store. Roger does believe that Rangely is a place that people do not want to live. Roger believes that this board and the Town Council can come up with another plan that really makes an impact on our community both economically and one that will satisfy business and community member concerns. We need to look at an area that can give developers an interest in our community. Roger further believes that some of the CNCC programs to do with the flight program expansion would be a great idea. He thinks we should focus on that rather than the plan presented. He believes that lowering the other businesses value and promoting an outside developer is not going to work. He does not think this will shift the paradigm in Rangely and giving someone from the outside benefits and breaks on their taxes, will not change anything that is real. He thinks that Clarks Market's interest is only because after proving some economic incentives, they will make a determination if they can make profit, and if so will then buy the building, if not they will move on. He believes that Better Cities is not having our best interest at heart.
Peter did say that the MRO is the next contract phase for which we will soon have a feasibility. He indicated that the data center, the CNCC flight program expansion and MRO recruitment are great options for the community. Lisa Hatch said yes, all of those are things being considered, but also these students must have housing. Peter said there are other economic development activities progressing for 2017 including the OHV trails system, Main Street Affiliate program, The Tank, etc…. Peter said that Palisade businesses have concerns about having only a few major events each year in which the local businesses are over-run and would rather see more consistent weekly traffic to the businesses that is more manageable.

Andrew Shaffer believes that we need to get the data center first and then move to the other projects. Once we have more employee's that will move here then we could move on to the retail.
Brad spent three days at a county wide meeting and the direction is that business follows people, not the other way around. He said that was really an eye opener for him because he was always a believer in the opposite.
Sandy Payne said that in regard to the grocery store to try and help people shop, she has heard concerns about the current grocery store what will happen with the old building. Sandy asked about the idea of a co-op grocery store? She really thinks that if the community has a vested interest in the grocery store wouldn't that help the viability of the store. Sandy said that usually during the weekend is their slow times which should be their busiest time because of the different times that people travel out of town. Sandy doesn't understand why the current owner doesn't want to consider other options.
Peter said that a co-op is another type of corporation and if you have member funding for the store it might generate more loyalty but that is not a guarantee based on the operation of the store. The profit margin is a little different. Roger said the bottom line of a grocery store in Rangely that if someone could provide selection and price like the stores out of Town. Roger said that Hayden has a nice grocery store that is close to a Walmart that is very good. We can make a better grocery store. Beth Robinson said that the community would have a board of a coop owned store and a vested interest in the community. She further stated that the owner of a store would be more interested in the needs and wants of the community. Beth said that a board is better way to educate the community about the prices of the goods. Peter said you still must have a good operator of the store, this type of business isn't going to be easy to run. Lenora said that our current store was not always at the level it is at. She doesn't believe we will ever keep the leakage from stopping. Families cannot afford to shop in Town. Lenora believes the coop is one of the better idea's. Roger believes that if we have a better grocery we will be able to stop some of the leakage, but families must make economic decisions were their spending is best served. Brad wanted to thank everyone for their comments but we need to move on

6) <u>New Business</u>

a. Discussion and Approval of the Financial Statement for August 2016 (Financials will be available at the meeting) – Lisa Piering reviewed with the board that we had capital funds that needed to be moved to the RDC fund. Motion to approve the August 2016 financials as corrected made by Lenora Smuts, seconded by Tim Webber, motion passed

b. Discussion of the Draft Grant/Loan Program for the Rangely Development Agency – Tim would like to review the information and spend a little more time, but it is a great start. Peter said that the document is strictly a draft. Brad after reviewing believes that we need to have a requirement that the business must be established for a few years. Tim said yes he agrees but do we need to also provide an incubator for new businesses to start up that we could draw to our community as well. Brad is ok with that but any larger funds need to have some skin in the game, which Tim also agrees with. Lisa Hatch said that the RBC is looking at a program to set up an incubator for Rio Blanco County. Peter said that there is a very successful program in Grand Junction at the old uranium UMPTRA site and possibly we could have them come and address the RDA. Tim would like to see that as well he has seen some very successful programs as well. Brad would like to see that the businesses are eligible because they are members of our chamber, and other requirements to make sure the business are part of our community. Brad said that as an example if it is a restaurant qualified that they are open for breakfast. He wants to see that the community benefits. Peter said in the current draft form there are requirements about the granting of money, especially when you get to the larger funds. Peter is concerned about the amount of funds that we have at our disposal, how are we going to fund all of the possible requests? He has a developer that wants to create a tiny home complex and would like some participation from the Town of Rangely. Peter said that the tiny home occupants are usually work from home or retired. Beth said the people who have Tiny homes are usually more apt to shop at home and like the outdoors. Peter said that Tawny Halandras at Mountain Valley bank is the point person for the NW Loan Program. Brad would like to see that there would some restrictions on the loan, for example if they went out of business they would have to repay the grant or loan. Peter said there would be promissory notes. Lenora said that is fine but usually collecting when that happens can be problematic. Lenora likes that the financial information is required. Peter said that we need some income coming in to help with funding, normally TIF and Bonds are the primary tools that URA's use to fund these programs. Beth said that she has a slightly different perspective on these loans and grants Beth said that generally that consideration should be given to provide businesses funds without so many restriction. She is more interested in the incubator of new business because we need those types of loans and grants. Beth said that the quality of the program needs to be considered and weighted as well. Brad said that he has some problems with taking risks with taxpayer dollars, without having stipulations as they are outlined. Beth said yes she agrees that you would want to see that whomever you consider have some experience, and the RDA makes an educated risk. Brad says that any organizations that want to take the risk should have some skin in the game. What is the direction that this board should consider to work toward? Tim said that the comprehensive study of the Better Cities project. Lenora asked for that information but never did receive it. Peter provided the feasibility study to all RDA board members present. Tim said that it would be great to have all of this information to make decision. Brad believes that sometimes you can get too hung up on plans and we needs to try and make some decisions that will begin to make differences now. Mesa County give Mesa College thousands of dollars to keep them moving forward. Beth said she wanted to put into perspective that Rangely is not always a great investment to business owners as well so it is a two way street they take a chance on us we need to take a risk on them. When we don't consider that we put it in a box that we. Lisa Hatch asked if we could put Beth's proposal into some type of grant or loan in a timelier manner and leave Beth hanging. Brad asked if Beth had an interest in any part of the grant. Beth said she has accepted the RDA's previous decision and will leave it up the RDA board. Brad said that if you don't' want to comply with some of the grant requests she must provide more information. Lenora does feel we need to have some good financial information. Dave Morton asked if we could provide a grant to help with some of

Beth's project now, realizing we need to have some more information. Brad would like to see that the requirements of contributing to our community be part of the requirements. Dave said that it isn't in final form that we could approve a grant today? Brad asked if Peter could firm up the 5,000 grant, make changes, email to the board and Beth, and possibly we could we have a meeting in two weeks and reconsider her request. Beth said at this point her concerns are how will her building make it through the winter as she tries to raise these funds, what is her best chance of earning money is between now and Christmas. She has many difficulties with making plans not knowing what she can do to move forward. Lenora said she is in the same position as many businesses in Town. Beth is trying to think about how to move forward and believes that she will have to consider marketing out of Town business rather than in Town.

7) Information

a. School District Support Letter
b. Main Street Webinar
c. Town Council Support Letter
d. Better City Project Utility Billing Update
   Peter said with the support letter's he has 72% support, Brad said that he really would like to move forward with a co-op grocery store and step back and look at everything in perspective. Lenora believes that if we had been more involved during the whole process we might be better prepared. We need meetings and information. Karen Reed would like to keep the RBC investment into our community. Andrew Shaffer said that if we don't use the money this year, he indicated that if we don't but come up with a project in future years it could be there in another year. Leona said that when there is so much controversy with local businesses and special districts. Tim said that all of sudden we have people are now interested in what is going on. Tim isn't willing to continue to do that. What Peter is hearing that we move the focus on a coop grocery store? Brad asked if Moon Lake could help with getting that set up or assist in getting the grocery store moving in the right direction. Brad doesn't know if they can help or if they could do it. If they could even help facilitate the process would be great. Peter said that if the group would like he could get with an attorney. Brad would like to see if we really have the community support before. Tim would like to know if a soccer field would bring more FTE for the college, which would hopefully bring more jobs and people becoming members of our community. Tim doesn't believe that there is any business that can bring in the same type of growth. Brad would like to see some plans from CNCC

8) Adjourn

Meeting adjourned at 7:40

5 – Old Business

6- New Business

Account	Description	2014 ACTUAL	2014 BUDGET	2015 ACTUAL	2015 BUDGET	2016 ACTUAL	2016 BUDGET	%	2016 EST FINAL	%	2017 BUDGET
	RANGELY DEVELOPMENT AGENCY FUND										
	RANGELY DEVELOPMENT AGENCY FUND REVENUES										
7330100	HOUSING REVENUE	66,708	71,100	64,369	73,233	39,733	67,000	59%	60,630	68%	55,000
7330200	INTEREST EARNINGS CD	371	300	228	120	84	100	84%	96	0%	100
7330500	MISCELLANEOUS INCOME	7,841	30,000	107,119	115,000	73,795	23,000	321%	116,000	32%	26,000
	TOTAL RDA FUND REVENUES	74,919	101,400	171,716	188,353	113,612	90,100	126%	176,726	100%	81,100
	RANGELY DEVELOPMENT AGENCY FUND EXPENSES										
7340220	PROF/TECH SERVICES	18,412	20,000	102,597	110,000	18,618	20,000	93%	100,000	35%	26,000
7340240	RISK/PROPERTY INSURANCE	-	-	-	-	-	-	0%	-	0%	
7340250	HOUSING MANAGEMENT EXPENSE	60,996	64,000	59,800	64,000	32,280	64,000	50%	55,975	60%	45,000
7340255	HOUSING RENTAL EXP/FEE	-	200	-	200	-	-	0%	-	0%	-
7340260	BUILDING MAINTENANCE	1,251	2,200	6,424	2,200	4,162	4,000	104%	6,205	3%	2,000
7340270	UTILITIES	200	200	200	200	149	200	75%	220	0%	200
7340290	MACHINERY MAINT/OPERATION	-	-	-	-	-	-	0%	-	0%	
7340300	MARKETING	-	1,000	-	1,000	-	1,000	0%	-	2%	1,500
	TOTAL OPERATING	80,859	87,600	169,021	177,600	55,209	89,200	62%	162,400	100%	74,700
7340700	CAPITAL OUTLAY	-	-	-	-	2,855	-	0%	8,876	100%	5,000
7340800	CAPITAL IMPROVEMENTS	-	-	-	-	-	-	0%	-	0%	-
	TOTAL CAPITAL OUTLAY	-	-	-	-	2,855	-	0%	8,876	100%	5,000
	TOTAL RDA FUND EXPENSES	80,859	87,600	169,021	177,600	58,065	89,200	65%	171,277	100%	79,700
	RANGELY DEVELOPMENT AGENCY NOI	(5,940)	13,800	2,695	10,753	55,548	900	6172%	5,450	100%	1,400

(Draft)

BUSINESS IMPROVEMENT GRANTS/LOANS

RDA – Grant/Loan Programs – The program is designed to help local businesses with expansion, capital investment and in some cases consolidation of debt through the RDA and outside loan opportunities, such as the Northwest Loan Program. The business requesting support from any of these programs must reside within the Urban Renewal Plan Area Boundary as established for the Rangely Development Agency. The annual budget for these grants and loans will be recommended by the Rangely Development Agency Board and approved by the Town Council. Should the target annual amount for all grants and loans be approximately $100K, e.g, the RDA would soon require backfill from the General Fund with an annual budget allocation in order to maintain the program or until TIF projects and other income producing loans/projects begin to generate enough revenue to cover these expenditures. The program can be discontinued at any time based on a determination of funding availability and effectiveness. Abuse of any of the programs will be addressed within the agreements to be executed by the applicants. Demonstration of need and ability to repay loans will be the best determination for award. Creation of new jobs and retention of existing employees should achieve the highest ranking in the evaluation process for each applicant.

All Town assisted Grant/Loan programs will require the that they become a Chamber of Commerce member and that the applicant describe their voluntary contributions of time and resources to the community.

BUSINESS IMPROVEMENT GRANTS/LOANS

- **Grant – Business Improvement Grants up to $5000.00 (no match)**
  - Detailed description of proposed project: (All applicants must attach a detailed project narrative and copies of any supporting documentation that will assist the grant committee in reviewing the proposed project.)
  - Instructions for Site Enhancement Grant Applications: Make sure to describe how the proposed project will provide significant visual, capital or structural improvement to your business. Applicants should also include relevant information such as project budgets, construction proposals, photographs, site plans/sketches, and project schedules.
  - Instructions for Economic Development Applicants: Make sure to describe how your proposed project is directly linked to the addition of jobs or other economic development goals. Applicants must also include information such as current staffing levels, hiring plans, business plans, and project costs and schedules.
  - ***Applicants are required to review their proposed projects with the Town staff prior to application submission to gain a full understanding of any Town Codes that may be relevant to a particular project.***
    - **See Chart for Applicant Required Submittals**
    - One year business financial statement
    - One year business tax return ***(If available)***
    - Statement of likelihood of continuing in business over the next 3 years.

- **<u>Grant/Loan – Business Improvement/Capital Acquisition</u>** *<u>(Loans may offer 2 yrs. Interest only)</u>*
    - Grant: $5,000 – 10,000 Low Interest Loan: $5,000 – 15,000
- ✓ Grant – Business Improvement Grants must be matched to $5,000 with loan equal to total grant plus match. **Max Grant $10,000 + Max Loan $15,000 = $25,000**
    - Detailed description of proposed project: (All applicants must attach a detailed project narrative and copies of any supporting documentation that will assist the grant committee in reviewing the proposed project.)
    - Instructions for Site Enhancement Grant Applications: Make sure to specifically describe how the proposed project will provide significant visual, capital or structural improvement to your business. Applicants should also include relevant information such as project budgets, construction proposals, photographs, site plans/sketches, and project schedules.
    - Instructions for Economic Development Applicants: Make sure to describe how your proposed capital investment is directly linked to the addition of jobs or other economic development goals. Applicants must also include information such as current staffing levels, hiring plans, business plans, and project costs and schedules.
    - ***Applicants are required to review their proposed projects with the Town staff prior to application submission to gain a full understanding of any Town Codes that may be relevant to a particular project.***
        - **See Chart for Submittals**
        - Detailed loan application plus a Summary to include history, company description, products and services, marketing and competition, management of key functions & resumes (brief)
        - Three year business financial statement
        - Three year profit/loss projections (my month first year and by quarter years 2&3
        - Three year business tax return ***(if available)***
        - Statement of likelihood of continuing in business over the next 5 years.

- **<u>Grant/Loan – Business Improvement/Capital Acquisition</u>** *<u>(Loans may offer 2 yrs. Interest only)</u>*
    - Grant: $10,000 – 20,000 Low Interest Loan: $15,000 – 25,000
- ✓ Grant – Business Improvement Grants must be matched to $10,000 with loan equal to total grant plus match. **Max Grant $20,000 + Max Loan $25,000 = $45,000**
    - Detailed description of proposed project: (All applicants must attach a detailed project narrative and copies of any supporting documentation that will assist the grant committee in reviewing the proposed project.)
    - Instructions for Site Enhancement Grant Applications: Make sure to specifically describe how the proposed project will provide significant visual, capital or structural improvement to your business. Applicants should also include relevant information such as project budgets, construction proposals, photographs, site plans/sketches, and project schedules.
    - Instructions for Economic Development Applicants: Make sure to describe how your proposed capital investment is directly linked to the addition of jobs or other economic development goals. Applicants must also include information such as current staffing levels, hiring plans, business plans, and project costs and schedules.

- *Applicants are required to review their proposed projects with the Town staff prior to application submission to gain a full understanding of any Town Codes that may be relevant to a particular project.*
    - **See Chart for Submittals**
    - Detailed loan application plus a Summary Business Plan to include history, company description, products and services, marketing plan and competition, management of key functions & resumes (brief)
    - Three year business financial statement
    - Three year profit/loss projections (my month first year and by quarter years 2&3
    - Three year business tax return ***(if available)***
    - ***Employment Plan***
    - Statement of likelihood of continuing in business over the next 10 years.

- **<u>Northwest Loan Fund – (Funding up to $500,000)</u>**
  - See attached criteria and application on website: http://nwccog.org/programs/northwest-loan-fund/
  - Contact Information for NWCOG and Mountain Valley Bank in Meeker (Halandras)

- **<u>Façade Grant</u>** - $7500 with equal match for façade improvements (**see program details**)

Grocery store operator considerations for Rangely, Colorado

Privately-held operator

Pros:	**Cons:**
• Reputable operator • Experienced ownership • Polished customer experience will help instill confidence in local residents • Larger pool from which to draw specialized talent • Proven model of store design and operation • Purchasing power, resulting in more favorable pricing for the consumer • Operating history will qualify owner for equipment financing (freezers, checkout stands, shelves, etc.) • Startup capital (cash) will be provided by the operator • Employment and management opportunities for local residents • Faster time to opening	• The owner/operator will likely not be a native Rangely resident • Some residents may limit their support due to ownership structure

Locally-owned Grocery Cooperative (Co-Op)

Pros:	**Cons:**
• Total local control of the operations • Local ownership • Likely would qualify as a non-profit • If operated well, the local ownership structure may help encourage some local residents to patronize the store • Employment and management opportunities for local residents • As a non-profit, it may qualify for grant funding to help with startup costs	• Lack of operational history will make securing financing for equipment very difficult • Setting up a non-profit entity and recruiting memberships/shareholders could be very difficult and time consuming • The new entity will have a steep learning curve on inventory acquisition, turnover, logistics, pricing, and other operational factors • Retail grocery has a very thin profit margin, and results in great risk to an

	inexperienced management/ ownership team • The new entity will need a considerable amount of startup capital (cash) on hand to cover several months of operations until the project stabilizes • If operated poorly due to under capitalization (such as what would result from attempts to cut costs), or due to inexperience, the local ownership factor won't be enough to guarantee local patronage

RURAL GROCERY STORES:

OWNERSHIP MODELS THAT WORK FOR RURAL COMMUNITIES

Jon M. Bailey

Center for Rural Affairs

Rural Research and Analysis Program

October 2010

CENTER *for* RURAL AFFAIRS

Lyons, NE 68038 Population 963

In our previous brief, *Rural Grocery Stores: Importance and Challenges,* we outlined the importance of the institution to rural communities, the trends regarding the disappearing grocery store in rural communities and the challenges faced by rural grocery stores in this age of competition from large superstores. We also highlighted some research that gives hope to rural grocery stores in terms of the economics of grocery stores and the shopping patterns of rural consumers.

In this brief we examine some common ownership models used by individuals and communities to address the need for local grocery stores in rural communities, provide examples of such models and analyze how the models address the challenges facing rural grocery stores.

Ownership Models

There are four primary models for ownership of grocery stores in rural communities:

- Independent retailer
- Community-owned
- Cooperative
- School-based

The independent retailer model is the traditional model of ownership of rural grocery stores (and most other rural retail business). However, these are precisely the retailers that are most in danger and who represent the vast majority of grocery stores leaving rural communities. Most of the challenges outlined in our previous brief go directly to the economic viability of independent retailers. Numerous challenges to rural retailers are particularly onerous for rural grocery stores. Capital needs combined with an unreliable customer base brought on by consolidation and competition make for significant economic challenges. Rural demographics also make for less retail opportunities as fewer customers live in rural communities and retail owners are aging with limited transition opportunities in most rural communities.

Some statewide initiatives have developed to address the capital needs of independent retailers in economically disadvantaged communities, including rural communities. These initiatives also have the goal of increasing access to healthy food in what are generally low-income communities. Begun in 2004, the Pennsylvania Fresh Food Financing Initiative (FFFI) is a private-public partnership that provides grants and loans for grocery store development in low-income communities and neighborhoods. FFFI has financed 74 grocery stores—all independent—across Pennsylvania. The model has been replicated in Illinois, Louisiana and New York. (Mitchell 2008, Food Trust)

Absent initiatives such as FFFI that address both the challenges facing independent grocery retailers and the need for local grocery stores in rural communities, other ownership models have sprung up throughout rural America to preserve or start local grocery stores.

Cooperatives and Rural Grocery Stores

One of the intriguing ownership models for rural grocery stores is the cooperative model. The interest in cooperatives as a model for rural grocery stores combines two facts about cooperatives. One, cooperatives have long been used in rural America for a variety of community needs. Nearly every rural community in the Midwest and Great Plains has at least one cooperative institution, usually some form of agricultural business. But the model can be adapted to other uses. Second, cooperative food retailers are relatively common, generally in urban settings. Natural and health food cooperatives exist in most urban areas. While not the size and without the sales of large supermarkets, these cooperatives serve an important food niche in the communities and neighborhoods they serve.

The question, then, is how to take a model that has served rural America well for decades and has served as an important component of the food retail business and transform it to an effective ownership model for isolated rural communities lacking a grocery store.

To be an effective model of rural grocery store ownership a variety of critical components are necessary in the development and start-up phases of a cooperative grocery store, considerations that are often quite different than for a traditional retail operation. For example, the effectiveness and economic viability of cooperatives are based on personal relationships more than other forms of retail operations. As such, who is involved in a cooperative is an early, critical component of a cooperative grocery store. In a case study of rural food co-ops in Wisconsin, the University of Wisconsin found the following to be important or critical components to "the successful start-up" of a rural grocery co-op: (Lawless)

- Competition
- Community and industry support
- Member support
- Quality of the business plan
- Business growth patterns
- Market niche
- Board and management leadership
- Finance

Further, the University of Wisconsin examination of rural grocery store co-ops unveiled four “keys to success.” (Lawless)

► **Strong operational management.** A successful cooperative employs “managers who are willing to innovate, make necessary changes, invest and grow.”

► **Member, community and industry support.** Successful rural grocery store co-ops had “substantial leadership and financial support from members” at the start-up phase. They also benefited from a culture of cooperatives in their community. Existing cooperatives provided financial support and management expertise. It is also likely members of existing cooperatives were more likely to become members and patrons of the new grocery store cooperative. Building upon a familiar model of ownership and management made success more likely. Successful cooperatives also benefited from the support of local public officials.

► **“Reasonable” competition.** Successful cooperatives “benefited from a location as the sole grocery store in their immediate area.” The successful rural cooperative grocery stores highlighted by the Wisconsin analysis had no competition within 20-30 miles. Finding an attractive location with “reasonable” competition allows a cooperative effort to find and cater to its niche market.

► **Dedicated organizers.** In more evidence that people make a cooperative run, it was found that successful cooperatives draw on the leadership skills of dedicated volunteers.

Of course, with every success there is failure. The Wisconsin studies identified several “pitfalls” for cooperative efforts. (Lawless)

► High turnover of leadership and management
► Too many “collateral” goals
► Lack of rigorous financial analysis
► Poor location
► Failure to change direction quickly
► Failure of the “cooperative advantage”

The last pitfall is particularly important for a start-up effort. The lack of membership support from the beginning means the effort loses out on “the very tangible factors (financial, leadership and expertise)” that make cooperatives successful and provide them an advantage over other ownership models. Any new cooperative initiative must make sure membership support is in place from the very beginning of the effort or it is likely to fail.

The “collateral goals” pitfall is also an important one for rural initiatives. Too often commercial initiatives in rural communities are weighed down with expectations of saving the community. That is especially a potential issue for a grocery store effort. Because of the importance as a community institution as we discussed in *Rural Grocery Stores: Importance and Challenges,* grocery stores have the potential to help rural communities meet myriad goals and needs—economic development, jobs, healthier residents and communities. While these goals are all important for rural communities and their residents, a cooperative initiative must have a business and management focus first and foremost. Without that focus none of the other goals will be achievable.

It is clear that human resource issues are paramount for rural cooperative success. Strong management and a strong membership from the outset appear to be the paths to success. This is a risky path in many rural places, where aging and declining population are affecting community efforts dependent upon volunteers and members. This is particularly true in rural areas most in need of grocery stores, small and isolated rural communities.

Management expertise is also an issue in rural communities. The disappearance and consolidation of grocery retailers—and rural retail in general—has left rural communities lacking in retail management experience. Many co-op efforts are also not rooted in business and entrepreneurial goals, but rather in community activism, health food and social justice goals. (Maynard) As such, the necessary managerial and strong marketing skills are often not fully developed. Any rural grocery cooperative initiative would be wise to spend significant effort during the start-up phase in finding, developing and training management staff and in developing an effective operational plan.

Finally, the issue of business planning is a crucial one for any cooperative effort. But the lack of business planning is a characteristic for rural small businesses. A recent survey of rural small businesses and those providers who work with small businesses found that the lack of planning and basic business and financial knowledge were the primary challenges facing rural businesses at the start-up phase. (Bailey) Without planning and basic knowledge businesses will struggle to meet their potential and success will be less likely.

Cooperative food retailers are not immune from the challenges that face other food retailers. For example, natural food co-ops are declining in numbers just as traditional grocery retailers are, demonstrating that the consolidation and competition forces are affecting all models of ownership. (Maynard) Many co-ops are also undercapitalized, making their economic viability suspect. (Maynard) While the cooperative model poses significant challenges as an ownership model for a rural grocery store, there are success stories. And the cooperative ownership model has been successful in rural communities for decades. Rural grocery store cooperatives must use the expertise of existing cooperatives in their community. Learning the lessons, both positive and negative, of past and continuing efforts.

Community-Owned Grocery Store

An ownership model similar to the cooperative is the community-owned grocery store. The chief difference is that the community is the owner rather than a cooperative entity. The primary benefit of a community-owned store is that community residents owners can tailor the store to meet the "unique needs of consumers and can set fair prices.” (Kansas State) This model also has the potential to provide a significant economic development boost to a rural community. Studies have shown that a locally-owned store returns an average of $45 out of every $100 spent to the community compared to $13 out of every $100 spent for chain stores. (Liveablecity)

Typically, a community-owned store is a corporation, capitalized through the sale of stock to local residents and operated by an elected board of directors. (Mitchell 2004, Kansas State) Stock sales are generally limited per individual to encourage widespread ownership and to avoid domination by one person or a small group of residents.

The Kansas State University Rural Grocery Store Initiative has identified several benefits of a community-owned store. (Kansas State)

- Preserve town’s local character
- Enable those who feel the impact of a decision to make critical decisions affecting the business
- Neighbors understand the economics of operating a rural grocery store
- Support local economies by keeping locally generated dollars recycling in the community
- Local grocery store complements other local businesses to create a diverse and thriving local economy
- Local grocery store provides convenient access to a variety of goods, staffed by local people

Successful community-owned efforts cite several factors in their success. Customer service offered by local employees and experienced local businesspeople comprising a direction-setting board are two factors that lead to local support. In addition, those involved with community-owned enterprises cite the fact that a lack of debt service in most such businesses and no stockholders demanding a high rate of return allow community-owned stores to keep prices reasonable and competitive with larger retailers. Finally, and less tangible but just as important, is the community’s sense of ownership. (Mitchell 2004)

Financing and local support are the critical factors for a successful community-owned grocery store. This model of ownership must rely on the constant financial backing of local residents as well as the continued shopping support of the community. As we saw in *Rural Grocery Stores: Importance and Challenges* local support of rural grocery stores can be an iffy proposition with chain grocery store competition and changing consumer purchasing patterns. But research in rural Iowa outlined in that brief also provides some measure of hope that rural people are willing to support local stores if prices and selection are competitive.

The economics of a community will also play a role in the success of a community-owned grocery store. Residents will have to have available funds to purchase stock initially and maintain financing as needed. Obviously, some communities will have more residents with the ability to accomplish this than will other communities.

Gove, Kansas (population 105, 2000 Census) is an example of a community that has successfully used the community-owned model. Gove's grocery store closed in 1980, a common occurrence in small, western Kansas communities like Gove. In response, a group of citizens formed the Gove Community Improvement Association (GCIA) and founded the GCIA Grocery Store. In 1995, the GCIA built a new building with volunteer labor, local donations and a loan from the local electric cooperative. The building contains both the grocery store and the County Seat Café, a locally-owned eating place replacing the town café that closed in the early 1990s. The grocery store is operated by a hired manager, but a volunteer board of directors provides directions and also works in the store. In 2006, the GCIA expanded its grocery business by purchasing a local grocery distribution business that delivers groceries to the GCIA Grocery store and then redistributes groceries to other local stores. This allows local stores to meet minimum purchasing requirements, a major challenge to rural grocery stores, while also sharing purchasing of items like meat and produce. Local residents may join the GCIA for a $25 fee, which brings certain purchasing privileges at the GCIA Grocery Store (such as charging). (Kansas State)

School-based Grocery Store

A relatively new ownership model is the school-based grocery store. School-based enterprises are not new, but operating a business such as a grocery store off of school property is.

These initiatives are generally in small, isolated rural communities that have no grocery store and no prospects of developing one through any of the other ownership models. These efforts generally attempt to link that need with an entrepreneurial class or community service initiative at the school. The grocery store is generally small, not a comprehensive grocery store and with limited hours and they appear to provide basic products for the community.

The Bulldog Express in Leeton, Missouri (population 619) is an example of a school-based grocery store. The town had been without a grocery store for over 10 years, and residents were rightfully worried about the future of their town. The store came about through a collaborative process involving the school board, school personnel and interested community members during a period of time when the price of gas was limiting the shopping trips necessary for Leeton residents. (Bradley) The Leeton initiative has the similar multiple goals that other school-based efforts have—provide basic food products to the community (while lessening the need and expense for driving) while teaching students practical entrepreneurial skills.

Two classes at the local high school operate the store—the agricultural business class and the entrepreneurship class. The school district contributed $20,000 to the project, partially to repair the building in which the store is housed and partially to initially stock the store. Students do all the tasks needed to keep the store operating, including ordering and stocking. The store is open four days per week for about five hours per day. (Bradley)

School-based efforts also survive through the assistance of bigger businesses. The Leeton store received donations of store materials such as shelving and coolers from Circuit City and Coca-Cola (Bradley) A similar store in Arthur, Nebraska, received donations from Wal-Mart. (Market to Market)

One concern with school-based efforts is what happens if student interest wanes. Arthur, Nebraska (population 145), addressed this concern for the Wolf Den Market. The market opened in 2000 after students at Arthur High School recognized the need for a grocery store in the community closer than a 40-70 mile one-way drive for local residents. After two to three years it became clear there was sufficient community interest in the market, but the concern surfaced about its future as a student run enterprise. At that point the business was changed from a student-run enterprise to a cooperative operated by five adults. (Market to Market)

Conclusion

Rural communities without a grocery store and seeking to develop one have several ownership models open to them. The characteristics and circumstances of the community and its needs will determine which model will work best. All of the models discussed here require extensive planning and adequate financing. Local interest, passion and leadership are the obvious prerequisites for any of these ownership models to effectively function. Several of the models depend directly on local residents having a stake in the ownership, management and operation of the store. All require local support in the form of buying local for the economic feasibility of the store. As we have seen in other rural development initiatives, some communities have the leadership and wherewithal to make things happen, others do not. Federal, state, local and private entities involved in rural development have the task to provide information and resources to those communities that show the interest and passion in helping their community create a bright future and who demonstrate the leadership capacity to do so.

Many believe the futures of rural communities of this nation are very much in doubt. The demographic and economic challenges faced by many rural communities throughout the nation are, in the opinion of some, simply too great and deep-seated to overcome. The issues facing rural grocery stores are an example of those larger rural challenges. But we believe the future of these communities holds abundant promise if new economic models are encouraged and implemented. The ownership models for rural grocery stores presented herein are examples of how rural communities can shape their own future.

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RURAL GROCERY STORES: IMPORTANCE AND CHALLENGES

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October 2010

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The local grocery store is an integral institution of rural communities and in rural life. Not only does the local grocery store provide the sustenance of life, it fills the roles of economic driver, community builder, employer and meeting place. Unfortunately, many rural communities across the nation are losing local grocery stores, and residents are forced to leave their communities to purchase food, often at great expense due to great distance. This brief examines trends regarding rural grocery stores, reasons why rural communities are losing grocery stores, and some of the personal and community implications when a community lacks a grocery store. Finally, we examine some of the issues and challenges facing rural grocery stores.

The Disappearing Rural Grocery Store

Rural grocery stores are slowly disappearing across the nation. Specific data on the decline can be seen in Midwestern and Great Plains states.

- In Iowa the number of grocery stores with employees dropped by almost half from 1995 to 2005, from about 1,400 stores in 1995 to slightly over 700 just 10 years later. Meanwhile, “supercenter” grocery stores (Wal-Mart and Target, for example) increased by 175 percent in the 10-year period. (O’Brien)
- In rural Iowa, 43 percent of grocery stores in towns with populations less than 1,000 have closed. (Procter)
- In Kansas, 82 grocery stores in communities of fewer than 2,500 people have closed since 2007, and nearly one in five rural grocery stores has gone out of business since 2006 (Kansas State; Procter). In total, 38 percent of the 213 groceries in Kansas towns of less than 2,500 closed between 2006 and 2009. (Impact Lab)

As with many other traditional institutions in rural areas, the local grocery store is slowly being drained out of communities.

The Reasons Why

Many reasons conspire to leave a community without a grocery store. Declining populations mean that a number of rural communities are without an adequate customer base for a local store. A certain population is needed to maintain a grocery store. In 2000, the average population needed to maintain a grocery store was 2,843. By 2005 the necessary population had risen to 3,252. (O’Brien) While the minimum needed population is increasing, most rural communities and counties are decreasing in population. Rural grocery stores, therefore, are fighting larger rural demographic trends.

Rural grocery stores are also fighting changes in larger purchasing patterns among Americans. Between 1990 and 2000, the incidence of residents in towns with populations under 2,500 out-commuting (going to work and presumably shopping in other communities) increased by 72 percent.

The advent of corporate, chain grocery store facilities in nearby larger cities and the relative ease in driving due to advances in vehicles and highways often make shopping at larger grocery stores more attractive, further reducing the customer base and the economic margins for small, local stores. The lack of employment opportunities in many rural communities means rural residents have to work in larger communities, with shopping more convenient in places where people work.

This combination of work and shopping patterns among so many rural people is also shown in consumer preferences of how people choose their grocery store. A 2007 Nielsen Company study found that 60 percent of consumers stated that a grocery store that "provides good value for the money" was the most important factor in deciding where to grocery shop. Only 23 percent of consumers cite proximity to home as the most important factor. (Nielsen)

Aging ownership and a lack of transfer opportunities may leave communities without a local store when owners retire or decide to leave the business. A lack of available small business capital in rural communities may also prevent younger or new entrepreneurs from beginning a grocery business.

All of these demographic and economic issues exist in many rural communities of the nation (and most rural communities of the Midwest and Great Plains), leaving a large section of the nation and a large portion of rural America to struggle with questions of how to provide food to a community in ways that benefit the local community.

Implications for the Community

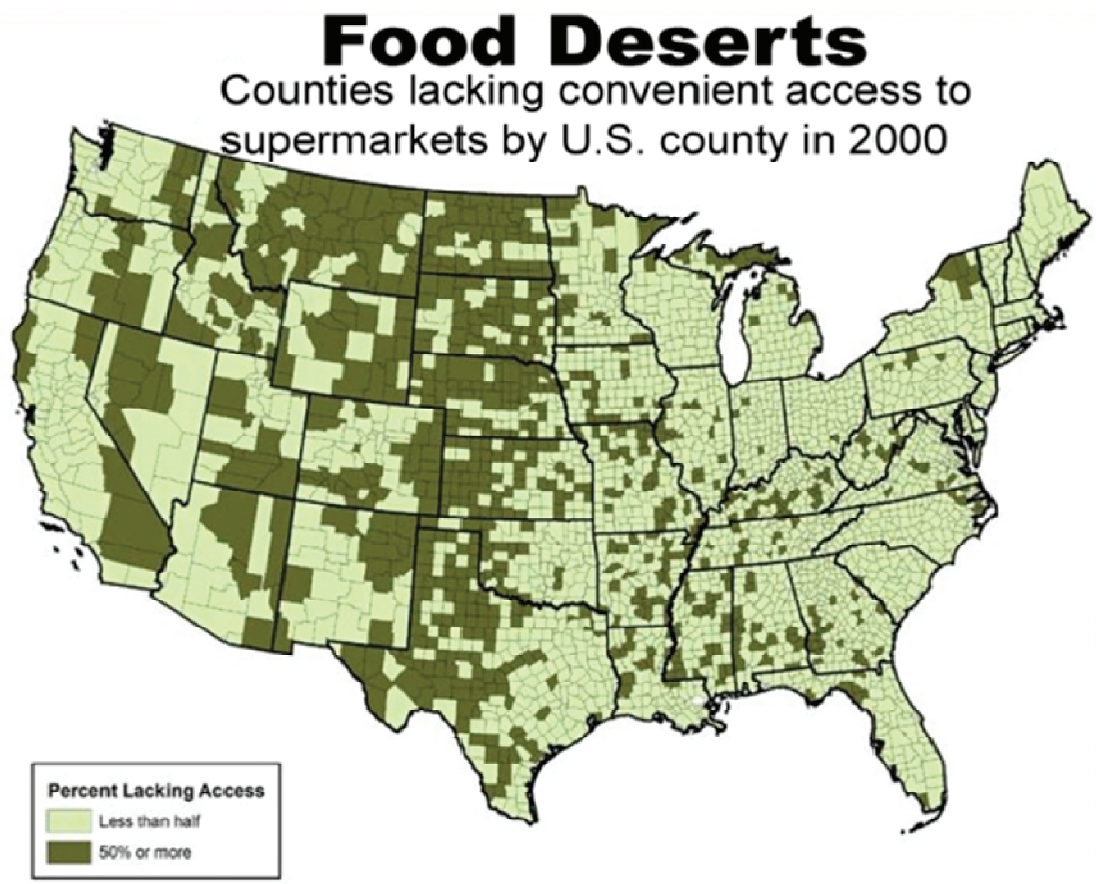
For most rural communities facing the loss of a local grocery store, failure is not an option. Allowing a local store to close and remain closed until the community or the economy rebounds does nothing but place the community on a path for further depopulation and economic decline. New residents and young families are unlikely to want to live in a community without a place to purchase food, and purchase patterns get set as people start and become accustomed to purchasing food in another community. The lack of resources and reliable transportation for many rural residents also raises the specter of hunger and unhealthy eating in communities without a local grocery store.

The loss of local grocery stores and the continued consolidation of food retailers also affect rural populations differently. Of particular concern is the rural elderly. As their "mobility and social support system diminish with the out-migration of younger family members" they become more dependent upon non-local food sources to which they have to drive or find transportation. (Morton 2004) An Iowa study of rural residents found significant long-term implications of the disappearing local grocery store. Rural residents over 70 years of age are more dependent on the local grocery store and depend upon others more for transportation for grocery shopping. (Morton 2004) As grocery shopping and transportation options become less available in rural communities the rural elderly are the ones who will be most affected.

All residents in many rural areas of the nation—no matter their age or income—are affected by the growing phenomena of rural "food deserts"—the lack of outlets to purchase food despite the public and private resources to do so. The lack of access to grocery stores in many rural areas is striking. The most recent data available from USDA shows that 803 counties in the United States are classified as "low access" areas, meaning half or more of the population of the county lives 10 or more miles from a full-service grocery store. (Morton 2007)

The Great Plains region has the largest concentration of such counties (while also having the largest concentration of high out-migration counties). USDA has classified 418 counties as "food deserts"—all the residents of a county are 10 or more miles away from a full-service grocery store—and 98 percent of those counties are rural. (Morton 2007) Again, the Great Plains was found to have the highest concentration of "food desert" counties. The real life consequences of living in a "food desert" are less access to a full range of healthy foods, less healthy eating, and less healthy people. The long-term consequences of less healthy individuals, families and communities are, of course, substantial.

The map below shows counties lacking convenient access to grocery stores across the nation.



Source: Procter, Morton 2007

Issues and Challenges Facing Rural Grocery Stores

The issues and challenges facing rural grocery store mirror the larger ones facing rural communities and rural small businesses. In 2008, the Rural Grocery Sustainability Project of the Kansas State University Center for Engagement and Community Development surveyed rural Kansas grocers on a variety of topics, including the issues and challenges facing them. (Clark) The surveyed rural grocery stores offered the following, in order, as the major challenges for their stores (respondents could chose as many offered options as applied):

- Competition with large chain grocery stores
- High operating costs
- Availability of satisfactory labor
- Narrow profit margins
- Taxes
- Government regulations
- Lack of community support

When asked to identify the most significant challenge, the respondents offered, in order:

- Operating costs/utilities
- Labor availability/costs
- Competition with large chain grocery stores
- Taxes and regulations
- Lack of community support
- Low sales volume

The survey also revealed other issues facing rural grocery stores. Nearly half of respondents stated minimum purchasing or ordering requirements were set too high, with the most respondents stating that they were charged a surcharge if the minimum order was not met. About 40 percent of respondents also said they were not provided fair pricing compared to chain stores, and 35 percent stated they had problems getting products delivered because of their location. (Clark)

Based on this input, Kansas State University has identified six general challenges to rural grocery stores. (Rural Grocery Store Sustainability)

Challenge #1: Competition with Chain Grocery Stores

Challenge #2: Coping with the High Costs of Energy

Challenge #3: Meeting Minimum Buying Requirements

Challenge #4: Dealing with Labor Issues

Challenge #5: Dealing with Community Support

Challenge #6: Models of Ownership

Rural counties defined as "food deserts" or with low-access to food face significant economic and health challenges. A survey of rural Iowa counties meeting the "food desert" criteria found that large segments of the population lacked adequate consumption of fruits, vegetables, dairy and protein. (Morton 2007) This is an issue of cost or access, or both. Studies have found that rural grocery stores have "limited variety of quality foods" and "tend to charge higher prices for those products." (Morton 2007, Morris, Kaufman) Yet the Iowa survey found that when compared to superstores, many local grocery stores charged lower prices for basic food products important to a healthy diet and that local residents took advantage of the small local grocery stores in their community. (Morton 2007) Findings demonstrate hope for local grocery stores in rural, low-access and food desert areas.

Our next Brief will examine models of rural grocery store ownership and how they deal with each of the challenges facing rural grocery stores.

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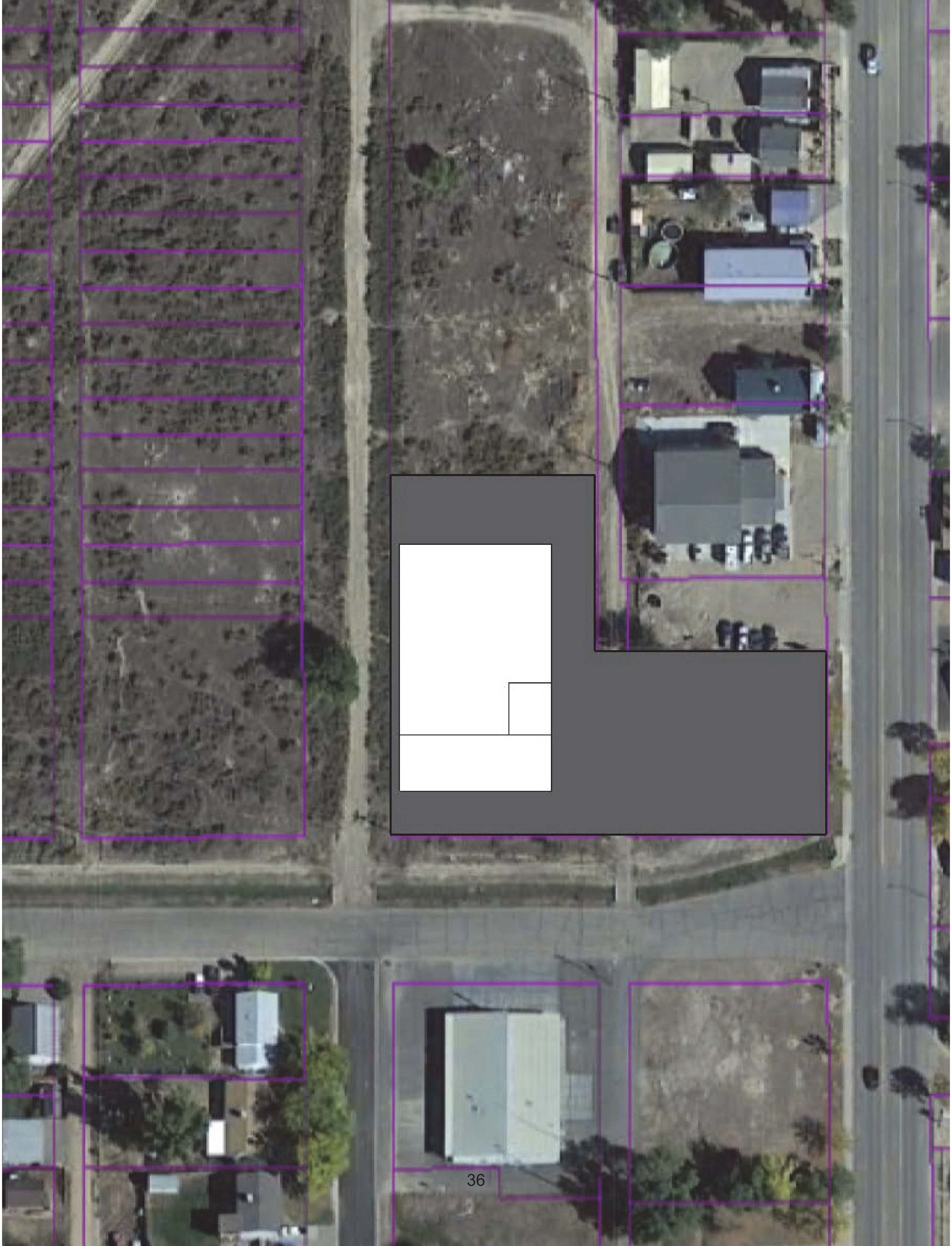
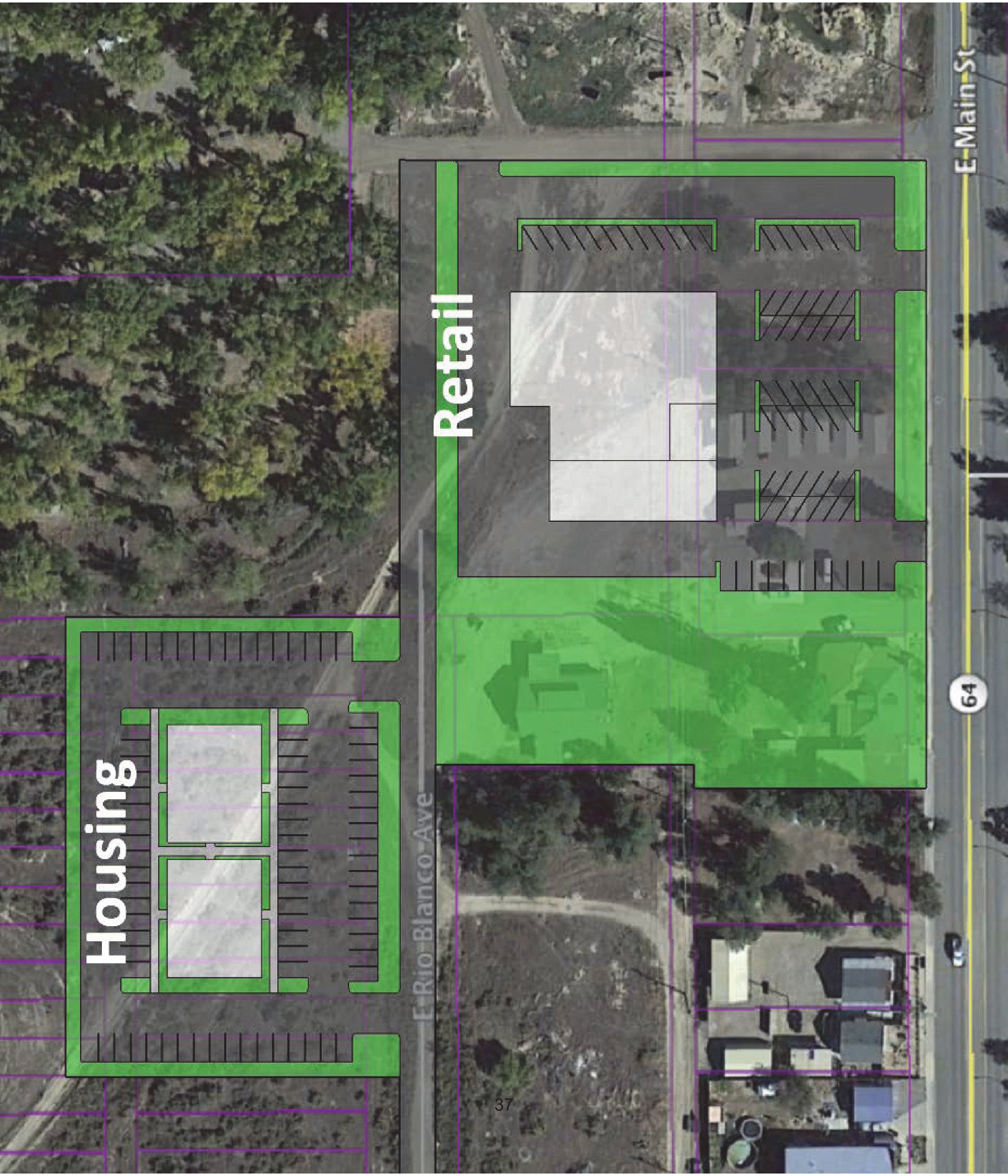
7 – Information





Retail
Housing
E Main St
E Rio Blanco Ave
64

Better City

Aircraft Repair Station Feasibility Study (Draft)

Rio Blanco County

The Town of Rangely

Prepared by: Better City

TABLE OF CONTENTS

Table of Maps, Figures, and Tables

Executive Summary

The Town of Rangely (the "Town") has experienced significant economic stress due to the slowdown of oil and gas activities in Rio Blanco County. To diversify its economy and introduce new jobs, the Town is seeking to expand its aviation industry presence in collaboration with the aviation program at Colorado Northwestern Community College (CNCC). A natural next step from the successful programs at the College is the introduction of an aviation repair station, also referred to as a Maintenance, Repair and Overhaul (MRO) facility.

Market Demand

The MRO industry in the United States generates $16.6 billion of revenue annually, the majority of which is attributed to commercial airlines. Approximately $1.8 billion comes from the General Aviation segment of the market, or all civil aircraft activity excluding regularly scheduled commercial and cargo carriers. Of the approximately 254,000 aircraft that are registered with the FAA, approximately 200,000 of them are considered General Aviation (GA) aircraft, which would be the total addressable market for an MRO facility in Rangely. Regional proximity has a significant impact on market demand, and the locations of aircraft were mapped on a state-by-state basis to determine the primary addressable market. There are approximately 33,624 registered aircraft within the Colorado Region.

Market Trends

The GA industry experienced a significant decline in total fleet from 2008 to 2014 due to the global financial crisis. The GA fleet stabilized in 2014 and is currently experiencing slow, but steady growth. The number of GA aircraft is expected to continue to grow from approximately 200,000 in 2016 to approximately 210,000 in 2036.

The makeup of the fleet however will change significantly. The number of piston-driven, fixed wing aircraft is projected to decline, while the numbers of turbine aircraft, and light-sport and experimental aircraft are expected to grow. However, single-engine piston engines will continue to dominate the GA market through 2036 and beyond.

Areas of Specialization

To be successful, an MRO facility in Rangely will have to pick a niche within the industry, and specialize in order to attract a sustainable level of business from the region. Industry experts reported that MRO's, or repair stations that focus generally on all GA aircraft are a thing of the past, and would not likely succeed in Rangely. One potential area of focus was analyzed: The Cessna 152, 172, and 182 model families. These planes are among the most successful planes ever built, and there are more than three thousand located within the Colorado region. Capturing 7% to 14% of the available repair and maintenance services from this market segment would generate a minimum of $1.3 to $2.6M in annual revenue, and would be enough to sustain a small MRO facility. Additional specializations could be added over time to add additional revenue opportunities.

Competitors

There are approximately 4,000 FAA certified repair stations in the United States, meaning that, on average, there is one certified station for every 50 GA airplanes. The ratio is significantly higher in Colorado, with 78 planes for every repair station. The Colorado region has an even higher ratio, with 116 planes for every repair station. Therefore, the Colorado region is undersubscribed in terms of the availability of certified repair facilities, and Rangely may be in a position to capture a significant portion of market activity with the right specialization.

Strategy to Establish an MRO in Rangely

Three different models of establishing an MRO in Rangely are explored, and include 1.) Recruiting an existing operator that is interested in adding a new location, also known as a "satellite" facility; 2.) Recruiting an existing operator that is interested in relocating an existing facility to Rangely; and 3.) A startup venture. Each of these options are explored, and the merits and challenges of each are highlighted. Ultimately, it will be up to the community and Town and County leadership to determine which acquisition scenario is preferred.

Economic Impacts

The average salary of an aviation mechanic and technician in Colorado is approximately $65,000. Depending on the strategy that is selected, an MRO may employ as many as six-to-twelve individuals within a relatively short amount of time. A startup venture would likely take longer to grow, and may take as many as five years before it employs five people.

GA economic impact studies in other states have suggested that for every $100 spent at an airport on general aviation, an additional $56 is spent within the state. If that trend holds true for Colorado, an MRO that generates $2.3M in revenue would induce an additional $1.1M in economic activity. The majority of that additional money could be spent within the Town of Rangely if the community continues to invest in amenities and assets that allow visiting pilots and aircraft owners to spend money within the community.

Implementation

Implementation efforts have begun, and conversations with potential recruitment targets both from Colorado and surrounding states are summarized. To date, three separate entities have expressed preliminary interest in exploring an MRO opportunity in Rangely.

INTRODUCTION

Rangely, Colorado (the "Town") lies in the northwestern region of Colorado, and is home to one of the most successful oil fields in the Country. The location provides ample opportunities for outdoor adventure, as well as the chance to find seclusion in the high desert. While the remote nature of the community is a draw for those seeking wide open spaces, it presents a unique opportunity for the aviation industry, and particularly for flight students that can take advantage of the uncrowded airspace to learn how to navigate the skies. Colorado Northwestern Community College (CNCC) has exploited this opportunity, and has built a solid aviation program with a strong reputation for quality[1].

With a strong reputation around the aviation industry, the Town has an opportunity to focus economic development efforts on expanding on this successful industry and pursue additional opportunities for primary job creation. Aviation and aerospace is a key economic industry for the State of Colorado, and represents an opportunity for growth and industry diversification that is largely independent of the volatile oil and gas industry.

The focus of this study is to explore additional opportunities within the aviation industry, and particularly on the repair and maintenance markets. The goal is to identify opportunities and develop a strategy to position Rangely as a center of activity within the aviation industry.

As stated previously, the isolated nature of the Town is an advantage in terms of flight students and open air space, but it presents a challenge for economic vibrancy due to its distance from major population centers. The challenges of developing the aviation industry within the Town, as well as potential solutions, will be explored and highlighted throughout this report.

Low-Hanging Fruit

Operating an airplane, or otherwise participating within the aviation industry is notoriously expensive, and operating a business within the industry is not different. The Federal Aviation Administration (FAA) oversees all activities within the industry, which adds a level of comfort and public safety due to the regulatory oversight, but it also adds significant barriers of entry for new entrepreneurs, as well as existing companies that are working on expansion plans.

To overcome the barriers of entry, and to maximize the economic impact of new development while also minimizing the time-to-market, it will be important for the community to focus its efforts on the low-hanging fruit within the industry. Aviation maintenance and repair is one example of low-hanging fruit because the major elements are already in place.

[1] Interview conducted with Kerry Shumway, Director of Maintenance at CB Aviation.

Market Demand for Aviation Maintenance

Total Addressable Market

Aviation maintenance and repair stations, sometimes referred to as Maintenance, Repair and Overhaul (MRO) stations, are facilities that perform maintenance and repair services for all types of aircraft. Unlike their passenger vehicle cousins, MROs benefit from FAA guidelines that require strict adherence to maintenance regimens to maintain the airworthiness rating of an aircraft. The dictated maintenance comes on top of incidental, or major damage and repairs that sends aircraft owners to repair stations for services.

The MRO industry in the United States is a $16.6 billion industry that experienced a growth rate of 1.5% from the year 2011 to 2016[2]. There are three broad categories within the MRO industry, including General Aviation (GA), mainline commercial carriers, and regional carriers. GA is the term used by the industry for non-military operations, excluding all passenger and cargo flights operating on regularly scheduled routes. GA covers everything from small, single-engine piston aircraft to corporate jets. The majority of the $16.6 billion industry is made of commercial airlines, but is estimated that GA MRO accounts for approximately $1.8 billion of revenue on an annual basis.

Commercial carriers typically acquire MRO services in-house, or through wholly-owned subsidiaries. For example, Delta Airlines almost always services their own airplanes, through its Delta TechOps division. Additionally, these airline MROs are often strategically located at major airports, where it is less disruptive to flight schedules, and logistically easier to schedule down-time for an aircraft. As a result, it is very unlikely that a remote location such as Rangely would be able to appeal to the commercial carriers, and thus the GA market would need to be the focus of an MRO operation in the Town.

As of September, 2016, there are 254,693 registered fixed-wing and rotary-wing aircraft in the United States[3]. Of this total, approximately 200,000 aircraft fall into the category of General Aviation, and the remaining fall in the categories of commercial carriers (approximately 7,000 aircraft), light-sport, and special-use cases such as agriculture or fire-fighting.

Location and Market Proximity

Historically, the biggest demand driver for a general MRO operation is proximity to aircraft and aircraft owners. As a result, many airports across the country, including rural airports, had a maintenance or repair station that was primarily focused on servicing the planes based at that particular airport; provided there were a sufficient number of local airplanes to sustain operations. As the aviation market has

[2] Ibisworld MRO Industry Report, 2016.

[3] FAA Database. Excludes balloons, gliders, and other non-typical aircraft types.

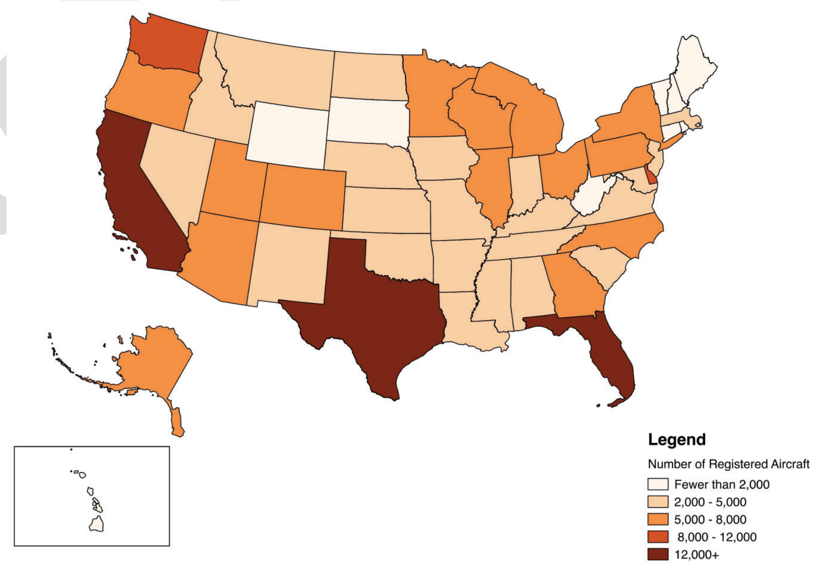
shifted toward more advanced technology, many of these small repair stations have struggled to remain relevant as they continued to focus on general services, whereas the market has shifted in the direction of specialization. The most successful repair stations today are those that have identified an area of specialization, whether on particular airframes, or on particular components, and have built a reputation behind being the best option for a particular type of airplane or repair.

Word-of-mouth advertising carriers a lot of weight in aviation circles, and when a pilot/aircraft owner has a good, or a bad experience at a particular MRO, that reputation spreads quickly. Due to the power of word of mouth, the need for specialized service, and the relative ease of travelling long distances through the air, it is not uncommon for aircraft owners to travel hundreds of miles from their base airport, to a repair station that has a good reputation, especially for major repairs or overhauls.

However, all things considered, if two repair stations have a similar reputation in the industry, and one is closer in proximity, pilots and aircraft owners exhibit the tendency to patronize the repair shops that are most convenient, and will often choose the closest location relative to their home airport. Therefore, airplanes that are located in the same region as the Town (with *region* defined as the State of Colorado and adjacent states) are considered the primary target market.

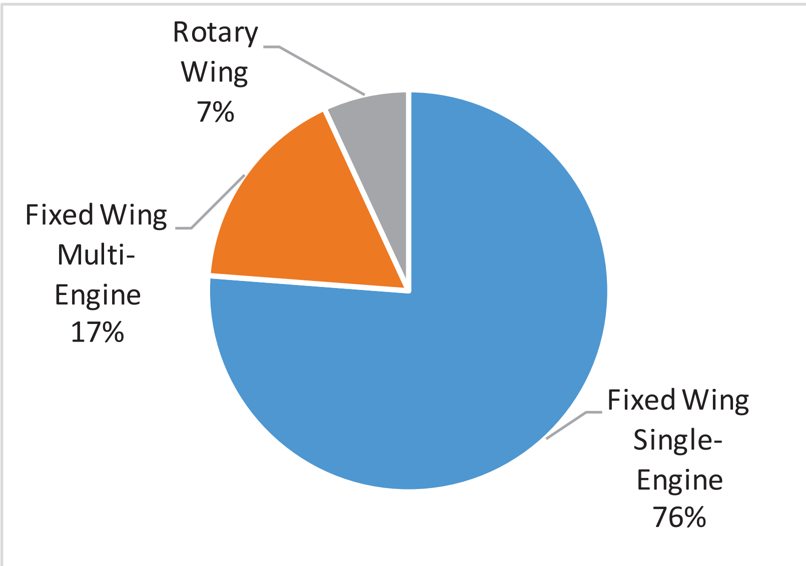
To analyze the size of the primary target market, all of the registered aircraft in the country were analyzed and mapped by location. It is important to note that the address on file for a registered aircraft with the FAA is the address of the registered agent, and not necessarily the physical address of the airplane. However, within the GA industry the majority of airplane owners station their airplanes at the airport nearest their primary residence, and thus it is assumed that the address of the registered agents serves as a valid approximation for the location of the airplanes.

Map 1 shows the number of registered aircraft by State. As shown in the map, the number of aircraft registered by state varies significantly, from a low of 385 in Rhode Island, to a high of 24,587 in Texas. The median number per state is 3,627. Colorado has 5,610 registered aircraft, landing it in the middle of the pack in terms of national averages.



Map 1: Number of Registered Aircraft in Each State

Several major airlines, including American Airlines and Southwest Airlines, register their fleets in Texas, which has an impact on the number of reported aircraft in that state. However, all the commercial carriers in the United States only account for approximately 7,000 aircraft, which is small compared to the total number of aircraft registered with the FAA. Single engine, fixed-wing aircraft currently dominate the market, and account for approximately 76% of the total number of aircraft (see Figure 1).



Source: FAA

Figure 1: Breakdown of Aircraft Type

While Colorado itself only has moderate density of potential customers, Colorado's geographic position would provide an operator in Rangely with a sizeable pool of aircraft from surrounding states such as Utah, Wyoming, Arizona, New Mexico, Kansas, Nebraska, and Oklahoma because most of the area within these states is within a comfortable flying distance for GA aircraft. When factoring in adjacent states, there are approximately 33,624 registered aircraft within primary market from which Rangely could potentially attract business (see Table 1).

State	Number of Registered Aircraft
Wyoming	1,520
New Mexico	2,175
Nebraska	2,254
Kansas	4,757
Oklahoma	4,891
Colorado	5,610
Utah	6,162
Arizona	6,255
Total	**33,624**

Source: FAA

Table 1: Registered Aircraft in Adjacent States

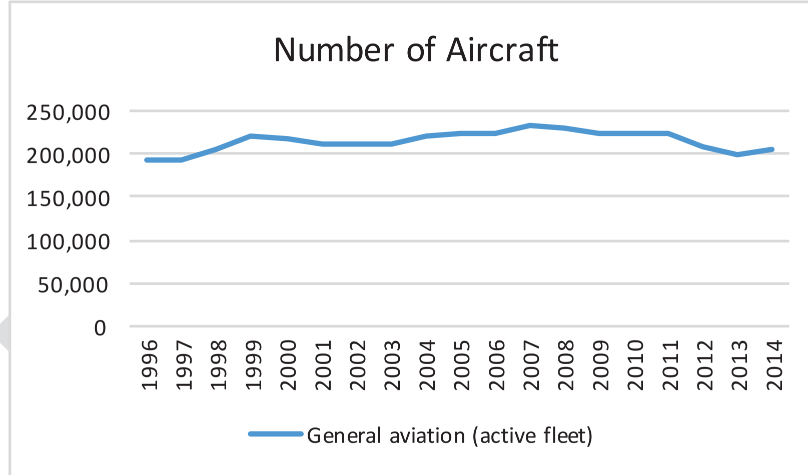
As described previously, Texas represents a tremendous opportunity due to the high number of aircraft located there; however, the Texas market will be difficult to capture because the major population centers are not located in the northwestern portion of the State.

Colorado's geographic location is not the only factor which determines the potential demand of the proposed repair station or MRO in Rangely. Additional important factors include market trends, regional/national rates, government regulation, and other repair stations in the market.

Market Trends

The General Aviation Industry is an important industry for the nation's economy and accounts for an estimated one percent of the United States' Gross Domestic Product[4]. While the commercial aviation fleet is expected to grow in the coming century, the General Aviation fleet is expected to experience slow growth.

The size of the GA fleet in the United States has hovered between 200,000 and 240,000 aircraft in the last twenty years. The fleet size reached its peak in 2007, right before the Great Recession (see Figure 2).



Source: FAA

Figure 2: Number of Registered General Aviation aircraft between 1994 and 2014

As the global financial crisis took hold on the US Economy, businesses and individuals looked for areas to cut back expenditures, and aviation was seen as a luxury rather than a necessity. According to the General Aviation Manufacturer's Association (GAMA), the number of aircraft deliveries dropped precipitously in 2008 (see Figure 3).

[4] Aircraft Owners and Pilots Association (AOPA)

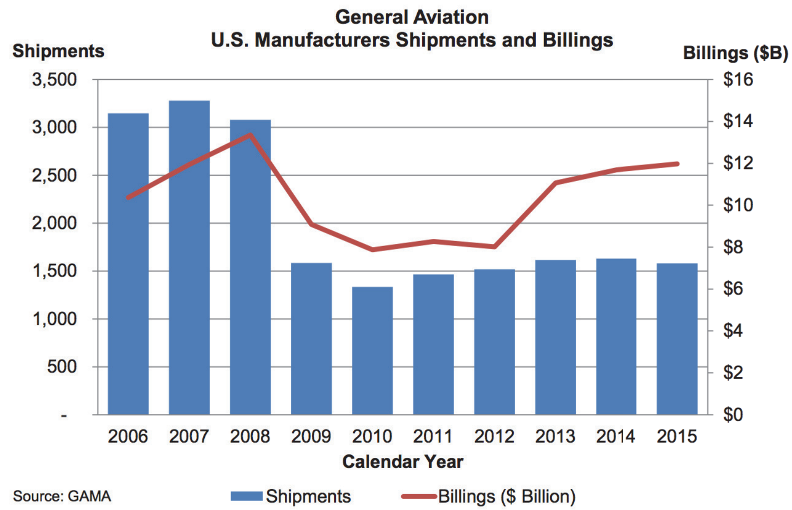
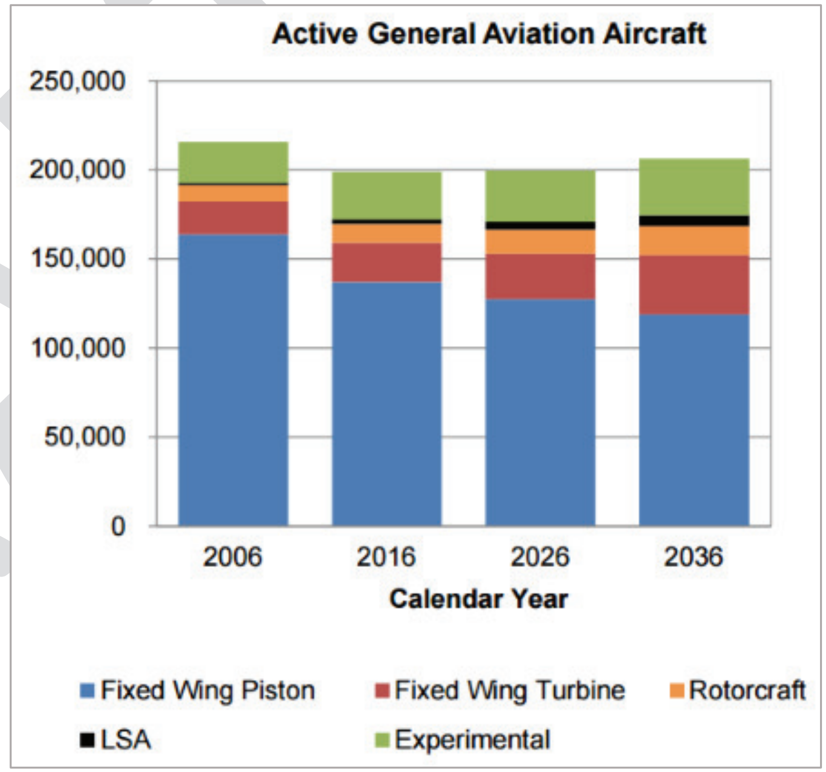


Figure 3: General Aviation Shipments, 2006-2015

As a result, the size of the GA fleet began a slow and steady decline to its current number of approximately 200,000. It is interesting to note that billings for new aircraft deliveries within the GA segment have mostly recovered to pre-2008 levels, but the number of aircraft deliveries has not. This is partly due to the advanced technologies utilized in new aircraft, as well as consolidation among manufacturers, which is driving up the cost per unit. According to the 2016 IBIS-World Aircraft Maintenance, Repair, & Overhaul Report, the General Aviation fleet has stabilized, and is expected to begin to grow again at a rate of approximately 0.1% in the next five years through 2021.

Longer-range forecasts of the GA fleet are only slightly more optimistic, and the FAA reports that the number of General Aviation aircraft is expected to increase by approximately 0.2% per year for the next 20 years, or to a size of 210,695 by the year 2036[5] (see Figure 4).



Source: FAA Aerospace Forecast

Figure 4: General Aviation Market Segmentation (2006-2036)

[5] FAA 2016-2036 Forecast.

While the total number of GA aircraft is expected to slightly increase, the historic powerhouse of the industry, the single engine piston, fixed-wing aircraft is expected to decline in numbers. The losses within the fixed wing piston segment will be made up for by gains in the fixed wing turbine category, as well as growth in the Light Sport Aircraft (LSA) and experimental aircraft. The shuffling of the market from piston driven engines to turbine engines is due to the increase in performance and reliability of turbine engines. The increase in LSA and experimental aircraft is largely due to the lower cost of acquisition and operation of aircraft within these categories.

The MRO market is beginning to adjust to these trends, and more shops are specializing in turbine engines and airframes, as well as LSA[6].

Pricing

The current rate for the repair or maintenance of an aircraft is quite volatile, with many external and internal factors determining the expected and true cost of any repair. From an hourly perspective, many MROs and specialty repair shops in the region charge between $75 and $100/hr. However, outside of the most routine maintenance, such as annual inspections or the changing of brake pads, there is minimal consensus in the industry in terms the actual cost of acquiring maintenance or repair work on any given aircraft. Factors that impact the cost of any given repair include:

- age of the aircraft
- aircraft manufacturer and model
- number of flight hours since last overhaul
- availability and cost of parts
- acute market factors
- local cost of labor
- skill of mechanic

From the aircraft owners' perspective, this variability is extremely frustrating, and makes it difficult to predict the true cost of ownership. From the mechanics' perspective, it is risky to provide fixed fees for service, because unfamiliarity with a particular model-year of an aircraft, or the volatility of part availability and pricing can make for unexpected challenges and cost overruns.

Overall, these risk factors and cost considerations cause aircraft owners to find someone they can trust, and then utilize that particular shop nearly exclusively, even if it means crossing State boundaries for service.

Government Regulations

Due to heavy government regulations on the aviation industry as a whole, the demand for Repair Station services appears relatively inelastic, or in other words, not very sensitive to price. Owners of personal aircraft are typically more affluent, and those that have been in the industry a long time expect the cost of ownership to be tens of thousands of dollars per aircraft per year. Owners expect repairs to be pricy,

[6] Interview with Randy Hayes, owner of Hayes Aviation in Akron, CO.

and because maintenance must be done in order to secure an "Air Worthiness Certificate" from the FAA, aircraft owners have little choice other than to pay for repairs, even when repair stations come back with significant cost overruns.

For example, airplanes are required by the FAA to undergo scheduled repairs and inspections (i.e. every 100 hours), which sometimes uncovers unscheduled, but mandated repairs, also known as "Airworthiness Directives" issued by the FAA and the manufacturer. The aircraft owner must comply with these Airworthiness Directives in order to ensure that the plane is airworthy. Owners must ground aircraft for these inspections and repairs, regardless of if there appears to be any issues with the aircraft. As a result, sometimes owners are rushed to find the most convenient repair station before an inspection is due.

Lack of transparency within the industry makes it difficult to "shop around" for good repair stations, other than through word of mouth. Owners tend to develop strong relationships with their mechanics.

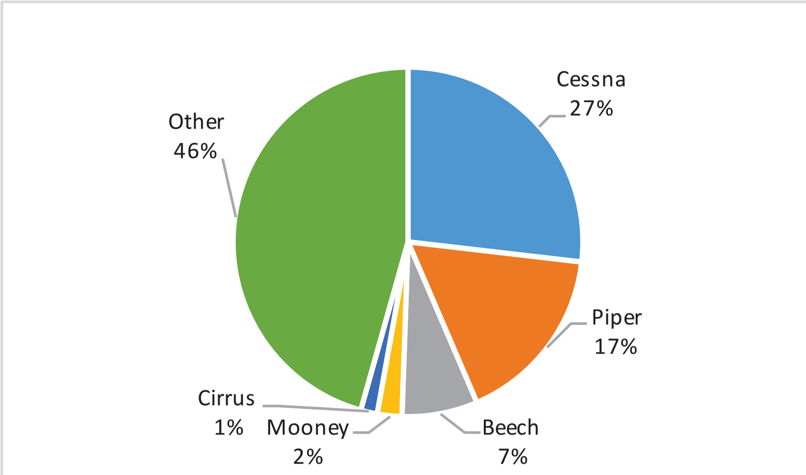
While these cost considerations appear to create significant barriers within the industry, the lack of transparency also creates opportunities for MROs that are willing and able to challenge the status quo. MROs, and specialty repair stations that specialize in a particular component have a significant advantage in being able to better estimate the amount of time any particular repair will take, and then can offer fair pricing and guarantee pricing estimates. While few repair stations go to the effort of providing this level of service, those that do are able to secure work from a much larger radius than the typical repair station[7].

Aircraft Types

As described previously, gone are the days of repair stations being able to be all things to all aircraft owners. To remain relevant, repair stations need to specialize, either in a particular class of airplane, or on a particular component, such as avionics. To best determine a potential area of differentiation, the makes and models of the GA industry were analyzed.

The top five manufacturers account for more than 50% of all of the planes registered by the FAA, and include Cessna, Piper, Beech, Mooney and Cirrus (see Figure 5). Of these, Cessna has the greatest market penetration with 27% market share. However, Cessna and Beech were recently acquired and brought under the umbrella of Textron Aviation, and therefore Textron is the dominant player in GA.

[7] Interview with Donny Peters of Air-South Insurance, long-time industry participant and expert.



Source: FAA Database

Figure 5: Aviation Manufacturer Market Share, per FAA Registrations

While focusing on Cessna airplanes generally would be one potential area of emphasis, it might be necessary to specialize further on a particular model, or model family due the vast differences that can occur from model to model. Of all of the Cessna models, the Cessna 172 and its variants are the most successful. The 172 claims the title of the best-selling airplane ever, with more than 43,000 of them built since their introduction in 1956[8]. There are more than 1,100 registered Cessna 172s (including the precursor, the Cessna 170) in Colorado and the adjacent States (see Table 2). While the 172 is the most popular Cessna model nationwide, the 172's higher performance cousin, the 182, is more popular in Colorado. Colorado's mountainous terrain favors higher-powered aircraft, and the 182 provides an extra level of performance and comfort beyond the 172. The Cessna 152 also shares many similarities, and combined, these three model families represent an available primary market of 3,198 airplanes.

Cessna Model #	Number in Colorado	Number in Region	Total Primary Market Size
152	21	193	214
172	157	950	1,107
182	415	1,462	1,877
Total	**593**	**2,605**	**3,198**

Source: FAA

Table 2: Primary Market Breakdown

While it is impossible to anticipate with 100% accuracy all of the potential revenue that could come from the repair and maintenance of these aircraft, the FAA mandated annual inspection and engine overhaul guidelines can serve as a guaranteed baseline of potential market demand. From surveying several different providers within the region, and from reviewing pilot blogs, the average cost of an annual inspection for a Cessna 152, 172, or 182 aircraft is between $2,000 and $3,000. With just under 3,200 targeted aircraft within the region, the total revenue collected from repair stations conducting annual inspections is approximately $8M annually. Relatively few annual inspections yield an entirely clean bill of health, and it is common for an aircraft to require an

[8] John Doman. Quoted in AVWeb, http://www.avweb.com/news/aopa/AOPAExpo2007_Cessna_172SSkyhawk_DieselEngine_196294-1.html

additional $500 to $1,500 or more in repairs that are identified during the annual inspection. Assuming that the average additional repair cost is $500 per aircraft, an additional $1.6 M of revenue would be available.

Major repairs for these airplanes, such as an engine overhaul, can cost $20-45k, and are typically performed every 1,500 to 2,000 hours of flight time. The FAA reports that the average GA aircraft flies 113 hours per year, which would result in the necessity for an overhaul every 15 years. Some aircraft, such as those used by aerial surveying, or flight schools, are utilized at a much higher rate, and may require an overhaul every one-to-two years, depending on usage. Using 15 years between overhauls as the average, approximately 213 target airplanes would be overhauled in any given year. At an average cost of $30,000, the revenue available within the target market is approximately $6.4M per year.

And lastly, 172 pilots report that they often budget for approximately $1,000 per year of incidental repairs, which would equate an additional $3.2M of revenue. It is assumed that oil changes would be performed at the home airport, and were excluded from these revenue calculations.

After combining these estimated revenue sources, the regional addressable market for 152's, 172's, and 182's is $20.8M (see Table 3).

Repair/Maintenance Element	Cost/Plane	Annual Regional Market
Annual Inspection	$2,500	$7,995,000
Annual Inspection Repairs	$500	$1,599,000
Engine Overhaul	$30,000	$6,396,000
Incidental Repairs	$1,000	$3,198,000
Total		**$19,188,000**

Source: Interviews with pilots/owners, service providers, and www.whattofly.com

Table 3: Regional Revenue Potential, Cessna Focus

Assuming that this potential target market was the area of focus for an MRO in Rangely, it would need to capture approximately between 7% and 14% of the available market, or about $1.3 to $2.6M of revenue.

In order to capture that significant amount of the regional market, an operator in Rangely would have to utilize a different approach than a typical repair station. For example, because many repair stations try to be all things to all people, they can do many repairs reasonably well, but they are almost always facing a learning curve due to the nuances between different types of aircraft.

As described previously, these nuances often lead to incorrect estimates, cost overruns, time overruns, and pilot and owner frustrations. The recommended approach for the operator in Rangely would be to focus on a target market, such as the 152, 172, and 182 market, with such precise focus that the operator can guarantee repair estimates, something that is nearly unheard of in the industry. By focusing on a target market, the operator will also be able to anticipate repairs, and hold inventory of the most common failed components, rather than having to special order in all parts, which is the industry standard.

By utilizing this approach, the operator in Rangely would be able to differentiate itself from the competition and carve out a sustainable flow of business.

COMPETITORS

PART 145 VS PART 91 REPAIR STATIONS

There are two basic types of repair stations, including certified repair stations (also known as Part 145 stations), and a non-certified Repair Station (also known as Part 91 stations). The potential operator of the proposed repair station/MRO in Rangely can choose whether which designation to operate under, each one with distinct advantages and disadvantages.

Part 145

Approximately 4,000 aviation repair stations are registered with the FAA under Title 14 of the Code of Federal Regulations, Part 145. The Part 145 designation requires that the Repair Station is actively inspected and regulated by the FAA. In addition, the Repair Station must have its business plan and ratings approved by the FAA. There are six ratings that pertain to a repair station:

- Airframe
- Powerplant
- Propeller
- Radio
- Instrument
- Accessory

The six ratings are broken down further into classes, describing exactly what types of repairs the station is certified to perform. An example of the specificity of FAA ratings is shown in Table 4.

Airframe	Class 1:	Composite construction of small aircraft.
	Class 2:	Composite construction of large aircraft.
	Class 3:	All-metal construction of small aircraft.
	Class 4:	All-metal construction of large aircraft.

Source: FAA Repair Station Letter of Compliance

Table 4: Example of Part 145 Ratings

The rating system allows potential customers to see exactly what type and class of airplane the station is qualified to work on. Part 145 repair stations are typically larger operations with more employees than a Part 91 station, but are not necessarily required to be so. Due to the increased regulatory burden, Part 145 stations also tend to be more expensive than a Part 91 station to obtain a similar level of service.

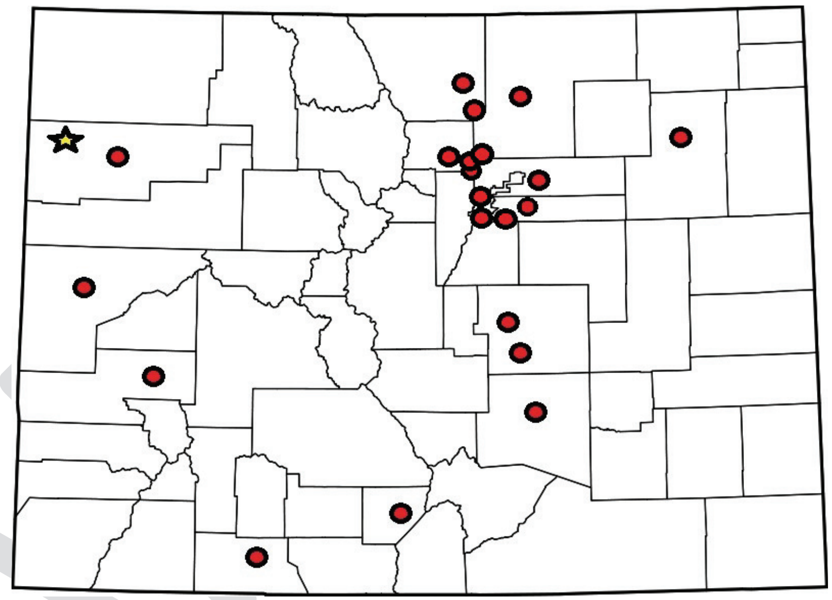
Part 91

Part 91 Repair Stations are not regulated and monitored directly by the FAA. The FAA has not inspected the repair station's business plan, and has not given it ratings, or certified what types of repairs can be performed at that particular location. The FAA certification does not guarantee quality of experience, however, and many Part 91 operations with good staff provide a level of service that is comparable, and sometimes beyond a Part 145 station because Part 91 mechanic(s) working on the aircraft are still required to have the necessary education, certification, and experience to repair the aircraft.

Ultimately, a new MRO/repair station operator in Rangely would need to decide if it prefers to have a Part 145 designation, or if Part 91 is sufficient for the types of repairs that would be conducted there. However, based on industry trends, the community should push to secure a Part 145 operation, because the scope of reputation of a Part 145 facility has a greater chance of being large enough to make an impact on the local economy.

Repair Station Locations

With approximately 200,000 registered GA aircraft in the country and approximately 4,000 Part 145 repair stations, the ratio of aircraft to Part 145 repair station is 50:1. In Colorado, there are a total of 72 registered and certified repair stations, which yields a plane to Part 145 repair station ratio of 78:1, showing that there are fewer repair stations in Colorado than would be expected based on the number of aircraft that are registered to the State. However, only 61 appear to be active as of September, 2016, which would yield an even greater deviation from the national average. Of the 61 active stations, approximately 40 stations do repairs on single-engine, fixed wing aircraft or components. Map 2 shows the distribution of these Repair Stations within the State.



*Part 91 Station information not available

Map 2: Location of Part 145 Repair Stations (General Aviation, fixed-wing aircraft) within Colorado.

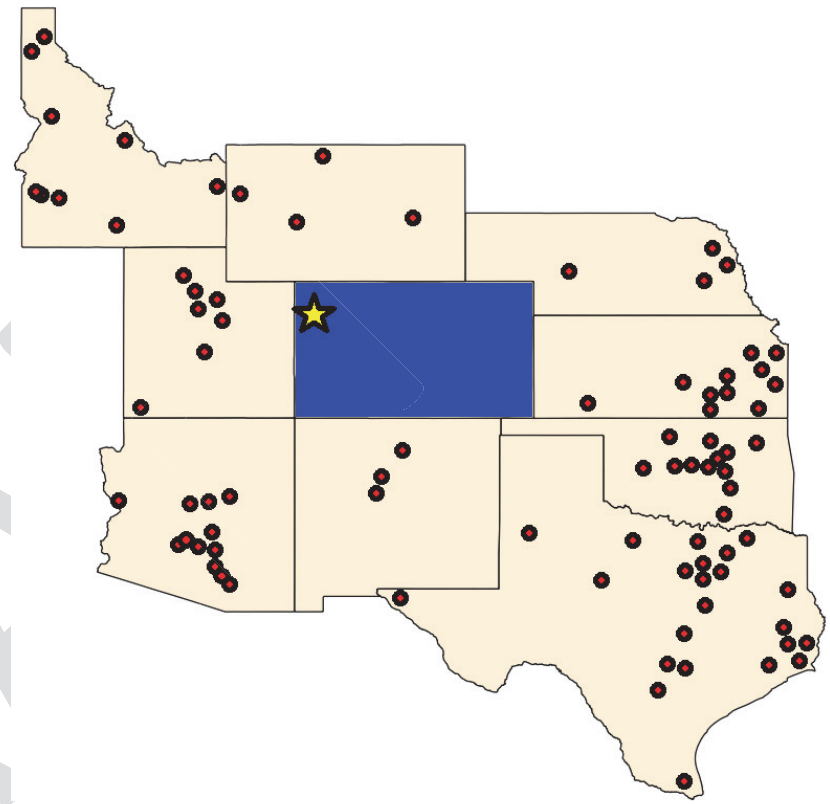
As shown by the map, most of the Repair Stations in Colorado are located on the Front Range, specifically in the areas surrounding Fort Collins, Denver, and Colorado Springs. The Front range is home to a majority of the population and provides easy access for aircraft flying in from the East.

The success of a repair station in Rangely, an area of the State where there is traditionally less air traffic than on the Front Range, will depend on the willingness of aircraft owners to travel to this location. The station will need to utilize its competitive advantages and provide enough of an incentive to justify the cost and time of fly to Rangely to receive maintenance services.

After analyzing the services offered by each of these 40 locations, none of these repair stations have staked a claim as being the expert for the Cessna 152, 172, and 182. It is likely that nearly all of them would work on one of these planes when the opportunity presents itself, but it confirms that there may be an opportunity for an operator in Rangely to specialize in these airframes.

Regional Competition

As described previously, Colorado and the surrounding States are home to more than 33,624 aircraft, with an additional 24,587 when Texas is included for a total number of 58,211 aircraft, and 500 Part 145 repair stations (see Map 3)[9]. Regionally, the number of airplanes per repair station is 116:1. By comparison, California alone has 24,533 registered aircraft, and 608 repair stations, for a ratio of 40:1. The average number of hours of flight time per plane in California is lower than the national average, therefore the high density of repair stations can't be attributed to planes there requiring more repair and maintenance work than average. The logical conclusion is that states like California are capturing market demand from surrounding states, and the Colorado region is missing out on potential revenue.



Source: FAA. Multiple locations within the same city are represented by a single dot

Map 3: FAA-Registered Repair Stations in States surrounding Colorado

[9] Part 91 repair stations are not required to disclose their location.

Repair Station Strategy for Rangely

There are three potential strategies that the Town can pursue to successfully establish an aviation repair station in the community. The Town can: 1) recruit a successful Repair Station to establish a new location in Rangely; 2) recruit a successful repair station to relocate an existing operation to Rangely; or 3) incentivize an entrepreneur to start a new operation. This section of the analysis will explore the benefits and disadvantages of the various options available.

Benefits/Disadvantages of Recruitment of a Satellite Facility

Recruitment of an already-established repair station brings the benefits of a good knowledge base, an experienced operator, and a developed business plan. Expanding and establishing a new Part 145 repair station is very expensive, as the facility would need to meet FAA standards before a certificate was provided. One advantage of pursuing this route is that if the operator already has a Part 145 operation, they can go through a streamlined permitting process for the new location by establishing it as a "Satellite" facility of the main company. Due to the capital constraints, it is likely that the only entities that would be in a position to establish a new entity would be national or international brands that see a strategic advantage of opening a repair station in Western Colorado. This type of operator would have brand recognition and would bring existing customers to the repair station. Although it will be extremely difficult to find the right qualified operator, this recruitment approach has the potential to generate the greatest impact for the Town in terms of economic activity and job creation.

Recruitment and location expansion is very time-intensive, and would require significant investment to create the type of facility that would be required by an existing operator that wanted to maintain brand quality. As a result, this approach may require a longer startup period to establish the station. Also, profits earned by the operator would likely go to an outside entity, decreasing the economic impact in comparison to a locally-owned facility.

Benefits/Disadvantages of Recruiting a Firm to Relocate

The State of Colorado has some distinct advantages and leverage points for recruiting companies within the aviation industry from surrounding states to relocate. In particular, most activity within the aviation industry, including repairs, upgrades, maintenance, etc. are exempt from sales tax in Colorado. Considering the cost of an engine overhaul can cost tens of thousands of dollars, being able to save customers sales tax is a noteworthy incentive.

There may also be an opportunity to recruit existing operators from another part of the State of Colorado. Airports, and the communities that surround them, develop their own culture, which, for better or worse, has an impact on the success of businesses located at a particular airport. There may be the opportunity to identify companies that want to remain in Colorado, but are unhappy with the current airport management or other local factors that may give them the desire to consider moving to Rangely.

Under a relocation scenario, it is unlikely that the FAA would allow an operator to bring their Part 145 certificate with them, and an existing company at a new location would have to go through the entire Part 145 certification process, which operators in interviews reported can take two-to-four years to complete. During the interim, an operator can perform repair services under the Part 91 designation, but that may impact the number and types of repairs that are conducted until the full certificate is received.

Benefits/Disadvantages of a new Repair Station

Creating a new repair station would allow the Town to more specifically tailor the station according to strategic plans and development options. For example, some of CNCC's Aircraft mechanic program graduates could potentially be involved and obtain an equity position in the startup, and could help create an auspicious partnership with CNCC. Ownership would remain local, and the profits earned at the facility would create economic churn within the Town.

When validating the startup potential with an industry expert, the response was, "Why not?! They have everything in place that they need[10]." He went on to explain that one of the most difficult obstacles for any MRO is being able to find a steady stream of talented mechanics. CNCC has a very strong reputation of churning out excellent mechanics, and an opportunity for employment in Western Colorado, and potentially an opportunity for equity within a new repair station presents an attractive proposition for recent graduates.

As with any new startup, there are also inherent risks involved. It may take longer to build brand recognition, and the first few years of operations would be lean until a reputation and customer base was established.

Fixed-Base Operator

A repair station can perform more services than just airplane repair. This type of station is also called a Fixed-Base Operator (FBO), and performs services for pilots and others that go beyond the scope of repairing the plane including:

- Aircraft rental
- Sightseeing flights
- Aircraft sales
- Aircraft storage
- Sale of aircraft parts
- Aerial photography
- Crop dusting and aerial applications
- Drone sale and maintenance
- Aerial surveying
- Pilot restroom facilities, telecommunication services, and waiting areas

[10] Interview with Donny Peters, AirSouth Insurance. Long-time industry expert.

Currently, CNCC functions as an FBO for the Rangely Airport through an operating agreement with the County. Because the College is focused primarily on the education of students, the other revenue generating activities, such as aircraft sales, commercial aircraft operations, and non-CNCC maintenance is not conducted through an FBO at the Rangely Airport. Due to the small market size, a private operator of an MRO may also be interested in providing FBO services to secure additional revenue streams, in which case a strategic partnership or operating agreement would likely need to be established between the County, CNCC, and the private operator to ensure mutual success.

Economic Impacts for the Town

Under all three scenarios, the introduction of an aviation repair station would increase the number of good-paying jobs in the Town. Aviation mechanics in Colorado are among the highest paid within the region, with an average salary of $65,280 per year, or an hourly wage of $31.98, vs a regional average of $56,930[11]. While the salaries aren't as high as the typical oil job that has historically sustained the Town, it represents a stable, livable wage for a family. The total number of employees at the repair station will depend greatly on which strategy is ultimately pursued. Recruiting in an existing operator may create six to twelve jobs within the first year, whereas the startup may take three or four years before they reach five employees.

Secondary market impacts are harder to quantify, but would be significant. By focusing on the regional market, planes flying in for service would likely spend at least several hours, and sometimes a few days before returning to their home airport. This presents an opportunity to capture hotel nights, restaurant spending, and recreation and entertainment such as outdoor equipment rentals.

A state-specific GA multiplier has not been calculated for Colorado, but the State of Massachusetts conducted an economic impact study of their GA airports, and determined that for every $100 spent on GA, an additional $56 of economic impact was generated within the State[12]. Assuming that the multiplier effect would be similar in Colorado, if an MRO in Rangely were able to capture $2M in revenue, an additional $1.1M would be generated for the State, the majority of which could be captured by Rangely if it were to position itself as an attractive destination and invest in amenities that would allow visitors to spend money in the community.

The Role of CNCC

CNCC has served as a major economic anchor for the Town of Rangely, and its investment and commitment to the aviation industry have enable the Town to even explore the current endeavor of establishing a viable repair station. CNCC could take several different roles in the establishment of a repair station. At a minimum, the college will be an important partner in providing a steady pipeline of expertly

[11] Bureau of Labor Statistics.

[12] General Aviation News. Janice Wood. "Massachusetts general aviation airports an economic boon."

trained potential employees for the repair station. Other forms of partnership may include internship opportunities with the MRO, allowing staff to split time between working for the College and working on private airplanes with the MRO, or restructuring the operating agreement with the County to allow an MRO to also take on some FBO responsibilities. Ultimately, the College's decision on how to partner with the MRO will not likely make or break the viability of the MRO, but a close working relationship will be beneficial for both the notoriety of CNCC's aviation program, as well as providing a support framework that helps ensure the MRO's success.

IMPLEMENTATION

Better City has already begun the process or reaching out to potential companies to gauge interest in expanding into, or relocating to the Rangely Airport. Initial conversations were focused primarily on the Colorado market, to better understand local demand drivers, and to gain insights from local experts on the viability of an MRO in Rangely. To date, twelve Colorado-based companies have been contacted, and six of them answered questions regarding local demand factors, and commented on their interest in looking into the Rangely Market. Specifically, four responded that they are not interested in expanding or relocating, but two (Berkshire Instrument Overhaul, and Hayes Aviation) responded that they were interested and wanted to learn more.

Berkshire Instrument Overhaul is a highly respected specialty repair shop based out of Montrose, CO that focuses on fixing and overhauling aviation instruments, such as vacuum driven gyros. Specialty repair shops for aviation components are largely location neutral, because the majority of parts to be repaired are shipped in from around the Country, rather than flown in on the aircraft that needs repairs. Also, specialty repair shops require less space than a traditional MRO, which results in lower overhead expenses and relocation costs.

Hayes Aviation expressed interest in Rangely, particularly if the community were to commit to the long-term effort of building up the industry and the airport. Randy Hayes expressed that being located in a community that embraces the industry and that supports the airport makes a big difference, and that he was interested in exploring areas of specialization that could be operated out of Rangely.

While four of them responded that they would not be interested in the opportunity themselves, several companies provided great insight into the key factors that would make for a successful operation in Rangely.

In particular, Ernie Smith at Straight Flight based in Englewood, CO stated that, in his opinion, the primary area of focus should begin with a paint shop. He commented that it is very difficult to find a high-quality, reasonably priced paint outfit in Colorado, and that he frequently sends planes to Arkansas from Colorado for painting work. By focusing on painting first, the facility in Rangely would meet an existing need in the Colorado marketplace, and would likely be able to capture a significant amount of business from the region. Over time, adding additional services such as component or airframe repair becomes a natural next step after establishing a strong reputation.

Upon further investigation of the paint niche, it was determined that the opportunity would require a significant amount of investment, beyond what a typical MRO would require. For example, painting shops require specialized equipment, and specialized facilities with adequate ventilation. While a great opportunity, finding an entrepreneur or business that is willing to make the initial investment is likely to prove challenging.

Subsequently, Better City began reaching out to operators in other states, including Utah, Idaho, and Arkansas. To date, one MRO operator in Utah has expressed preliminary interest in exploring the ability of opening a new location in Rangely. While the name of this firm is not yet disclosed, their director of maintenance is familiar with Rangely, having worked with CNCC's A&P graduates in the past. He spoke very highly of CNCC's program, and one of his primary reasons of interest in considering opening a location in Rangely is to gain prime access to CNCC's graduates.

Additional recruiting efforts are ongoing and results will be added to this report.

APPENDIX A: AVIATION DEVELOPMENT ZONE

To increase the potential of success for the proposed Repair Station, the Town should apply to make Rangely Airport an Aviation Development Zone (ADZ). An ADZ designation could reduce overall operating costs, and would help to incentivize an MRO, and other aviation related businesses to expand into Rangely.

AVIATION DEVELOPMENT ZONE OVERVIEW

An ADZ is a calendar-year performance-based job creation incentive program. It is given to business entities that create net new jobs within a recognized ADZ at an approved airport. The value of the tax credit it based on the number of net full-time jobs created in the ADZ.

The incentive can be applied to "companies involved in maintenance and repair, completion, and modification of aircraft." The tax credit, which is provided by the State, is $1,200 per net new employee. The credit program expires January 1, 2024 and can be carried forward for a period of up to 5 years.

AVIATION DEVELOPMENT ZONE REQUIREMENTS

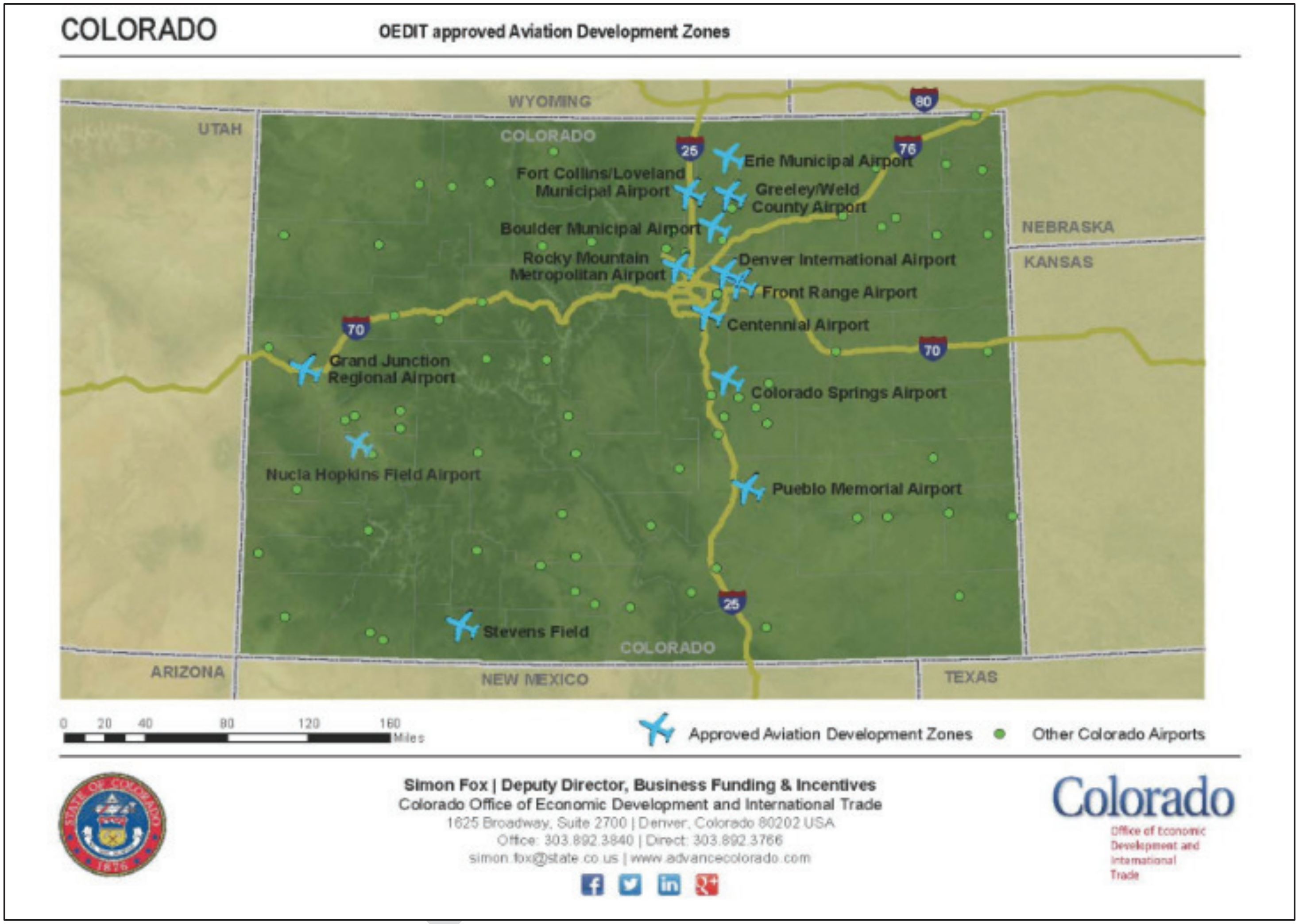
The Colorado Office of Economic Development & International Trade (OEDIT) has specific requirements for Airports in order to become an ADZ:

- Production of aircraft parts specifically used in the manufacture of aircraft
- Proof of concept, prototyping, test and evaluation, certification or production of aircraft
- Maintenance and repair, completion, or modification of aircraft
- The facility must employ ten or more employees in the ADZ to claim credits[13]

The credit is available to all types of business entities. LLC's, Partnerships, and S Corporations may pass the credit through to their members.

There are 13 airports in the State that have been granted ADZ status. Map 4 shows the location of ADZs within the State.

[13] More information on ADZs can be found at: www.advancecolorado.com/incentives



Source: Colorado Office of Economic Development and International Trade

Map 4: OEDIT approved ADZs within the State

APPENDIX B: RANGELY AIRPORT FACTS

Rangely Airport, home of the Colorado Northwestern Community College (CNCC) flight school, is owned by Rio Blanco County. Rangely airport has been in use since 1962.

Source: Colorado Community College System

OPERATIONAL STATISTICS

Most of the airport's traffic (89%) comes from local general aviation. The other 11% comes from corporate jets, helicopters, personal aircraft, and ultralights. Most of the airports operations are from CNCC, which runs its flight program between September and May. The school expanded its flight operations in 2014 to allow a summer flight program for Metro State University in Denver.

There are approximately 17 aircraft based on the field, 15 of which are single-engine airplanes. The airport has average operations (Take-offs and Landings) of 129 per day (see Table 5).

Airport Operational Statistics		
Airport Fleet	**Rangely**	**Meeker**
Aircraft based on the field	17	10
Single-Engine	15	10
Multi-Engine	1	0
Gliders	1	0
Aircraft operations	**Rangely**	**Meeker**
Operations per day	129	22
% local general aviation	89	66
% transient general aviation	11	30
% air taxi	<1	4
% military	<1	<1

Source: AirNav, LLC. Data from 2012.

Table 5: Comparison of Airports in Rio Blanco County

Rangely Development Project

Background

An analysis of the general economic conditions of Rangely reveals two primary obstacles to economic growth: 1.) A lack of "sense of place" in the downtown, and; 2.) Growth barriers for one of the Town's most important non-extraction based economic drivers – CNCC.

Broadly defined, economic drivers, also referred to as "primary jobs" are entities that sell goods or services that are produced locally, but are acquired from outside the Town, thereby attracting outside investment and spending. There are many important non-primary jobs and establishments that every community needs; however, they are largely a result of the presence of strong economic drivers. For example, retail establishments, banks[1], municipal services, etc., arise when the local population size is sufficient to support them. However, in order to attract primary jobs, communities must invest proactively to develop themselves into an attractive location that is able to compete in the global marketplace; and that means providing at very least a minimum level of service in the non-primary categories such as municipal services, banks, and essential retail.

Inherently, the need to attract demand drivers at the same time as developing the community creates a "chicken or the egg" problem. But in reality, it's a "chicken AND the egg" problem. Communities must develop their chickens, while simultaneously developing eggs, meaning, that community development and livability issues must be addressed simultaneously with efforts to attract primary jobs. Focusing on one or the other individually is a failed model of economic development. Therefore, the following strategy focuses on addressing quality of life and community development challenges. Simultaneously, although not described in detail in this document, are efforts by both the Town and the County to develop additional primary jobs and economic drivers.

There are no "silver bullets" in economic development, meaning that there are inherent risks involved with any project, but the risks of waiting are greater than the risks of doing something. Proactive communities begin where they are, leveraging existing assets and strategic opportunities to make calculated risks that have the greatest potential of making an impact.

The Challenges

1. Lack of "Sense of Place" Downtown

The downtown Rangely area is lacking the amenity mix needed to create the kind of "sense of place" required to attract employers and employees, increase the weekend population (college students as well as permanent residents), and reduce retail leakage. When a potential employer or student comes to town, the amount and quality of available amenities plays a significant factor in whether or not to locate to Rangely. If a potential Rangely resident is not satisfied with the level of amenities offered, they will likely move to another town that has what they

[1] Banks can be considered primary jobs to the extent that the bank primarily services the local population; it is possible for banks to become economic drivers if they are providing goods and services to other areas, thereby "importing" outside money in exchange for banking services. A good example would be investment banks, whose clients are typically non-local.

are looking for. A perfect example is the Blue Mountain Mine. A significant portion of their workforce commutes from Vernal, due to community development issues. In order compete with other similar communities, the lack of amenity offerings in Rangely must be addressed.

2. Growth Barriers at CNCC

CNCC is one of Rangely's strongest assets and one of Rangely's best opportunities for growth in the community. Through expansion of programs and sports teams, CNCC has the ability to increase the student and staff population in Rangely. College students in particular can be a great boon to the local economy, bringing with them dollars to be spent on housing, retail, and recreational activities. One of the biggest obstacles to growing CNCC programs is the lack of high-quality housing options for students and staff. The existing housing stock available for students and staff is lacking–both in quantity and quality. In order for CNCC to expand, the housing issue must be addressed.

Finding a Solution

When it comes to choosing catalytic real estate development projects, the goal is to pursue projects that will provide the biggest long term economic impact for the least amount of money. This means focusing on highly strategic projects, and carefully considering the size, location, and type of development.

The goal of the development project is to:

1. Create the conditions necessary to recruit employers, employees, and students to Rangely by providing missing amenities;
2. Position the community to attract tourism and highway traffic spending; and
3. Add local spending opportunities to capture retail leakage and feed those dollars back into Rangely economy.

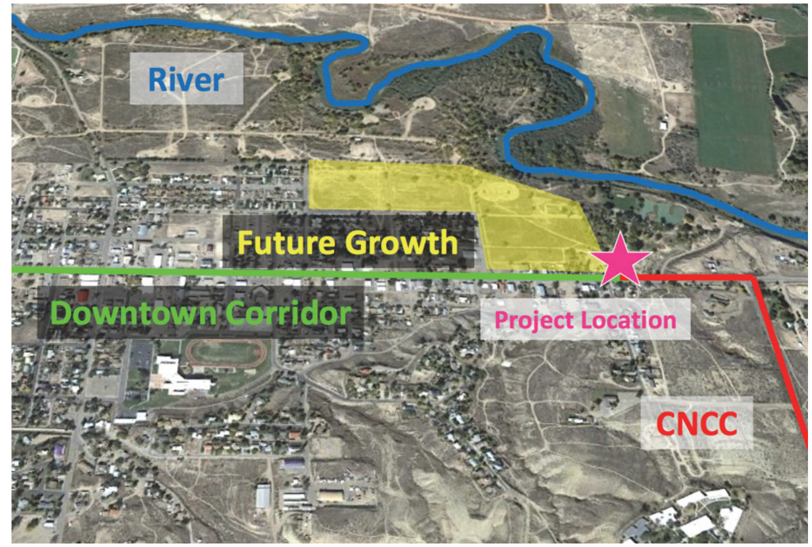
The Project

Project Location

The four project location objectives are to:

1. **Enhance the existing downtown area** – The project location should provide easy access to other downtown offerings.
2. **Tie in natural assets** – The project location should provide easy access to the White River and Camper Park.
3. **Tie in student base** – The project location should provide easy access to CNCC for students traveling to and from campus.
4. **Catalyze future development** – The project should be located in an area that can support spin-off development nearby.

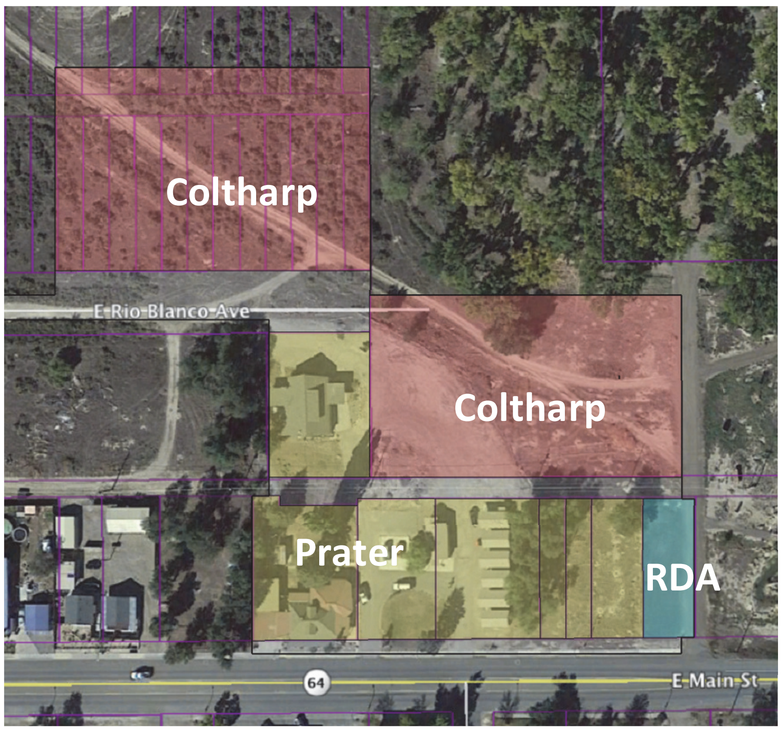
The area that best satisfies these four objectives is on the east side of the Main Street corridor near the existing Moosehead Lodge and Camper Park. This site provides easy access to the downtown corridor, CNCC, Camper Park, the White River, and is located adjacent to prime undeveloped land.



Property Ownership

The project site is approximately 4.75 AC and consists of three owners, one of which is the Rangely Development Agency, who will be contributing their parcel into the project.

Prater (Moosehead Lodge)	1.52 AC
Coltharp Family Trust	3.07 AC
Rangely Dev. Agency	0.15 AC
Total	**4.75 AC**



Project Type

Prospective employers require certain amenities for them to consider a location for their businesses– at the top of the list are full-service grocery stores, adequate housing options–and strongly prefer others–year round recreation, restaurants, and entertainment options. Prospective employees and students go through a similar process when evaluating where to live, work, and study. By looking at Rangely through the eyes of a prospective employer/student/resident, the shortcomings in the Rangely market become clear. The best way to address these shortcomings is a multi-use retail and housing project.

Given the risk profile of Rangely due to the slowdown of the oil and gas industry, it is anticipated that the developer of the project will require a 15% rate of return on the development. Market rate for new development ranges anywhere from 8-20%, depending on the size, scope, scale, and location of a given project. If the project dynamics of the proposed development in Rangely were able to provide for a 15% rate of return, and given the interest of a potential anchor tenant (Clark's) the community will likely be able to find an investor willing to take on the project.

Retail

The retail component of the project consists of a 12,000 SF full-service grocery store co-located with an entertainment venue tied to a quick service restaurant. In previous decades, the Town has had amenities such as this, including a movie theater at one point, and was a common point of discussion during interviews with local residents. The key to bringing these types of amenities back to Rangely, is to strategically position the development in a way that allows it to capture multiple revenue streams, and minimize overhead costs. Co-location of retail and entertainment is a successful model that allows the entertainment to succeed due to shared overhead, while at the same time the entertainment offerings draw additional patrons to the retail.

To validate this assumption, conversations were held with a successful grocery store operator, that has experience with the retail and entertainment concept in rural communities, Clark's Market. A successful small grocery chain, Clark's operates two establishments in the small town of Blanding Utah. One of which is a convenience store with a bowling alley inside that was created at the request of the local population. During conversations with Clark's, a concept was developed that would combine a full-service grocery store with the entertainment venue, as a hybrid of the two stores they operate in Blanding. Clark's expressed interest in the concept[2], and after conducting an initial brief analysis of the Rangely market, reported that if it were to operate the proposed development, it would support approximately 12,000 sq. ft. of retail space, in addition to the entertainment venue.

The challenge that is preventing them from investing in such as project on their own, is the debt and associated risk of new construction, if they were to take on the project by themselves. However, Clark's would be in a position to enter into a lease agreement with a developer, such as a five-year lease with an option to own. The forthcoming project and pro forma was designed with an operator such as Clark's in mind, and was an exercise to overcome the impediments that are preventing investment, and to allow a new development project to enter the community.

Based on the needs described by Clark's, the retail development project is estimated to cost $2.6 million. Table 1 shows the capital stack, or the breakdown of the sources and uses of the investment required to build the retail portion of the project.

[2] Clark's subsequently signed a letter of interest in the project. Contact Peter Brixius, Rangely Town Manager for a copy of the letter.

Sources	**Amount**	**PSF**	**PCT**
Debt	1,730,495	107.48	65%
Equity	931,805	57.88	35%
Dev'r Equity	*931,805*	57.88	*100%*
Public Participation	*0*	0.00	*0%*
Total	2,662,300	165.36	100%

Uses	**Amount**	**PSF**	**PCT**
Land Acquisition	315,540	19.60	12%
Construction	2,346,760	145.76	88%
Total	2,662,300	165.36	100%

Table 1: Sources and Uses Breakdown for Retail

Clark's market provided estimates on what it would likely be able to pay in terms of leasing the building based on anticipated market demand, and these estimates were used to calculate development performance estimates from the building owner's, or developer's perspective (see Table 2). It is important to note that the pro forma assumes a triple-net, or NNN lease, meaning that expenses such as utilizes, repairs, etc. are passed along to the tenant. As such, the pro forma is simplified and doesn't show expenses such as utility costs.

Retail Pro Forma	**Yr 3**
Retail Lease	149,818
Restaurant Lease	13,733
Bowling Alley Lease	26,530
Net Operating Income	190,081
Cap Rate	7.14%
Debt Service	-104,996
Equity Cash Flow	**85,085**
Levered Cash on Cash	9.13%
Incentives	
Property TIF	39,170
TIF %	*90%*
Sales TIF	23,328
TIF %	*60%*
Equity Cash Flow	**155,359**
Incentivized Cash on Cash Return	**16.67%**

Table 2: Retail Pro Forma, Developer's Perspective

As seen in Table 2, the incentivized cash return is slightly higher than the minimum requirement of 15%. As will be described later, the project overall needs to obtain a return of 15%, but the individual components (retail and housing) will have different individual rates of return.

A portion of the retail building could be used as a watersport rental kiosk, or, depending on the desires of the community, could be expanded allowing for OHV rentals and other outdoor recreation equipment. If these additional offerings were added, the sales tax estimates would change accordingly.

An earlier version of the pro forma that was used in previous discussions with local residents and taxing entities utilized a different approach of estimating property tax. The alternative approach yielded a much lower amount of property TIF, and as a result, the project required a much higher percentage of sales TIF. The pro forma shown in this document utilizes estimates obtained from the County Assessor to determine property TIF, and the percentage of sales TIF was decreased proportionally to achieve a similar rate of return.

Conversations were also held with the owner of the White River Market, to gauge interest in modifying the current grocery store in Town to essentially accomplish the same goal of adding entertainment offerings that would create additional demand drivers that would help capture retail leakage. At the time of the conversation, a significant portion of the grocery store had been converted into a hardware store, much to the chagrin of local residents. Ultimately, the owner was not interested in taking on the proposed project immediately, but did express interest in reviewing, and potentially responding to an RFP that would be issued at a later date seeking developers/operators for the proposed project.

Housing

While not requisite for the retail component, the addition and co-location of a new housing development with the retail development would be mutually beneficial. The proximity of retail offerings adjacent to a housing development would be an attractive amenity to help stabilize and ensure occupancy of the housing, and the housing would help stabilize the entertainment and retail. As described previously, one of the goals of the project is to increase weekend population, and the convenience of living right next to retail will influence the behavior of the residents of the new housing project.

The first phase of the housing development consists of 13 units and 13,750 gross square feet on three floors. The housing available at CNCC is outdated, small, and lacks the variety in floorplan configuration that meets the demands of students and staff with varying familial situations and preferences. The housing project is estimated to cost $1.5 million and includes a mixture of one, two, and three bedroom apartments.

Unit Mix	Units	Rooms	Max Occ
1x1	5	5	10
2x2	4	8	16
3x2	4	12	24
Total	13	25	50

Table 3: Student Housing Mix

If the new housing development were focused on students, maximum occupancy if every room had two occupants would be 50 students. However, because many students prefer to have a single-room, it is anticipated that the full occupancy of the building would be closer to 40. Average rent per unit is assumed to be $413/mo or $1,717/semester, which represents a

14% premium over Ross Hall (CNCC), which charges an average of $364/mo or $1,512 per semester[3] per unit (see Table 4).

Price Summary	/Mo	/ScYr	/Sem	Prem
Avg Shared	325	2,700	1,350	11%
Avg Private	502	4,167	2,084	15%
Blended	*413*	*3,434*	*1,717*	14%

Ross Hall	/Mo	/ScYr	/Sem
Avg Shared	292	2,426	1,213
Avg Private	436	3,622	1,811
Blended	*364*	*3,024*	*1,512*

Table 4: Housing Revenue Assumptions

Without any incentives or public participation, the housing project is estimated to generate a stabilized rate of return[4] of 2.7%, which is not sufficient to secure the interest of a developer. Pairing the housing development with the retail development helps to the extent that the returns from the retail project can supplement the lack of return from housing. However, a public private partnership[5] is needed to achieve an overall market rate of return. The partnership and incentive structure required to get the housing to an acceptable rate of return includes tax increment financing, as well as a one-time, direct investment of $350,000 to help cover up-front infrastructure and construction costs. The $350,000 gap, also referred to as the "funding gap" can potentially be filled with a variety of sources, including grants from State and local entities. One potential source of funding could be the Town's Housing Assistance fund, which has a current balance of just under $1 million. Table 5 shows the capital stack, or the breakdown of the sources and uses of the investment required to build the student housing portion of the project.

SOURCES	Total	/NSF	/Unit	PCT
Debt	1,073,414	97.58	82,570	65%
Equity	577,992	52.54	44,461	35%
Dev'r Equity	*227,992*	*20.73*	*17,538*	*39%*
Pub Partic	*350,000*	*31.82*	*26,923*	*61%*
Total	1,651,406	150.13	127,031	100%

USES	Total	/NSF	/Unit	PCT
Land Acq	61,420	5.58	4,725	4%
Construction	1,589,986	144.54	122,307	96%
Total	1,651,406	150.13	127,031	100%

Table 5: Sources and Uses Breakdown

Table 6 shows the stabilized year three pro forma, including the impact of the public private partnership.

3 Assumes a mix of shared and private rooms.

4 Stabilization is defined as the period in time in which occupancy reaches equilibrium, and is anticipated to occur by year three. Year one vacancy is estimated at 25%, year two at 15%, and year three and ongoing at 7%.

5 Public private partnerships, including the theory, history, and examples will not be further discussed in this document. For additional information please contact the Peter Brixius at the Town of Rangely.

Housing Pro Forma	Yr 3
INCOME	
Sales Proceeds	
Rents	165,488
Other Income	3,530
Gross Potential	169,018
Vacancy (%)	7%
Vacancy	-11,831
Effective Gross Income	157,187
EXPENSES	
Development Costs	
Loan	
Balloon Payment	
Taxes	4,248
Insurance	4,662
Utilities	14,331
Maint & Repairs	11,557
Management Fee	15,719
Trash	932
Admin & Misc	2,590
Cap Ex	1,734
Total Expenses	55,772
Net Operating Income	101,415
Expense Ratio	35.48%
Debt Service	80,022
Net Cash Flow	**21,393**
Levered Cash on Cash Return	3.7%
Property TIF	3,328
Incentivized Net Cash Flow	**24,721**
Incentivized Cash on Cash Return	**10.84%**

Table 6: Housing Pro Forma

Project Impact

The proposed project would bring $4.3 million of investment to Rangely and generate $1.49 million in tax increment through sales and property tax over 15 years. Of the $1.49 million generated, $691,936 would be allocated to the project to help cover debt service, investment costs, etc. to allow the project to meet a market rate of return. The remaining $793,952 would be allocated to the Town, County, and various taxing entities.

Development at the proposed project location would open up new development opportunities along Main St. and Rio Blanco Ave. The increase in the supply of quality student housing would allow for CNCC to expand its programs and add additional sports teams. The housing project–which could also house staff–could be used as a valuable recruiting tool for CNCC.

Financial Summary

When a developer is looking to place capital, they want to invest somewhere that minimizes risk while maximizing returns. Rural markets, like Rangely, are high-risk and tend to generate low market returns. In order for Rangely to attract a developer and retail operator to the Town to begin this path to economic diversification and prosperity, financial incentives must be offered to help compensate a developer for the risk of investing in a rural market.

A new development in a rural community of the size and scope of the proposed project should provide a minimum 15% annual cash on cash return to the developer in order for the project to be attractive. Without incentives, the project would yield an annual cash on cash return of:

Retail	9.13%
Housing	2.74%
Blended	**6.7%**

The amount of money needed to bring that blended cash-on-cash return to 15% is what's known as the "gap," or "shortfall." If the gap can be filled, a developer is much more likely to bring their dollars to Rangely. If the gap can't be filled, a developer will likely invest their dollars somewhere else that can provide them with a market return.

If public funds, including the possibility of grant funds, are contributed to the housing portion of the project in the amount of $350,000 up front, and tax increment financing is utilized at the rate described herein, the project has the potential to achieve the following cash on cash returns by year three:

Retail	16.67%
Housing	8.41%
Blended	**15.05%**

Tax Increment Financing

Once a project is built that utilizes TIF, taxing entities will continue collecting the amount of property tax they collected before the project was built, also known as the baseline tax amount. Additionally, a portion of the tax increment created by the project would flow through to the taxing entities.

Table 7 details the estimated increment that would go to each taxing entity if the project were built utilizing the strategy described herein.

TIF Contributed to Project

Entity	Mil Levy	% of Total Levy	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total	Annually After Project
Cemetery	0.098	0.2%	$0	$74	$74	$74	$59	$59	$59	$59	$41	$41	$22	$21	$21	$21	$21	$21	$666	$0
Rangely Junior College	6.6	11.8%	$0	$5,004	$5,004	$5,004	$3,979	$3,979	$3,979	$3,979	$2,780	$2,737	$1,455	$1,390	$1,390	$1,390	$1,390	$1,390	$44,854	$0
Colo. River Water Conserv.	0.243	0.4%	$0	$184	$184	$184	$147	$147	$147	$147	$102	$101	$54	$51	$51	$51	$51	$51	$1,651	$0
County	9.05	16.1%	$0	$6,862	$6,862	$6,862	$5,457	$5,457	$5,457	$5,457	$3,812	$3,753	$1,996	$1,906	$1,906	$1,906	$1,906	$1,906	$61,504	$0
Fire General	0.874	1.6%	$0	$663	$663	$663	$527	$527	$527	$527	$368	$362	$193	$184	$184	$184	$184	$184	$5,940	$0
Library	0.5	0.9%	$0	$379	$379	$379	$301	$301	$301	$301	$211	$207	$110	$105	$105	$105	$105	$105	$3,398	$0
Parks and Rec.	6.51	11.6%	$0	$4,936	$4,936	$4,936	$3,925	$3,925	$3,925	$3,925	$2,742	$2,699	$1,436	$1,371	$1,371	$1,371	$1,371	$1,371	$44,242	$0
Rangely Town	10	17.8%	$0	$7,582	$7,582	$7,582	$6,029	$6,029	$6,029	$6,029	$4,212	$4,146	$2,205	$2,106	$2,106	$2,106	$2,106	$2,106	$67,960	$0
Hospital	13.239	23.6%	$0	$10,038	$10,038	$10,038	$7,982	$7,982	$7,982	$7,982	$5,577	$5,490	$2,919	$2,788	$2,788	$2,788	$2,788	$2,788	$89,972	$0
School Bond	4.442	7.9%	$0	$3,368	$3,368	$3,368	$2,678	$2,678	$2,678	$2,678	$1,871	$1,842	$980	$936	$936	$936	$936	$936	$30,188	$0
School General	3.687	6.6%	$0	$2,796	$2,796	$2,796	$2,223	$2,223	$2,223	$2,223	$1,553	$1,529	$813	$777	$777	$777	$777	$777	$25,057	$0
School Transportation	0.181	0.3%	$0	$137	$137	$137	$109	$109	$109	$109	$76	$75	$40	$38	$38	$38	$38	$38	$1,230	$0
Rio Blanco Consv.	0.623	1.1%	$0	$472	$472	$472	$376	$376	$376	$376	$262	$258	$137	$131	$131	$131	$131	$131	$4,234	$0
Total	**56.047**	**100%**	**$0**	**$42,497**	**$42,497**	**$42,497**	**$33,793**	**$33,793**	**$33,793**	**$33,793**	**$23,610**	**$23,240**	**$12,359**	**$11,805**	**$11,805**	**$11,805**	**$11,805**	**$11,805**	**$380,896**	**$0**

TIF Contributed to Taxing Entities

Entity	Mil Levy	% of Total Levy	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total	Annually After Project
Cemetery	0.098	0.2%	$12	$21	$21	$21	$36	$36	$36	$36	$54	$54	$73	$74	$74	$74	$74	$74	$757	$95
Rangely Junior College	6.6	11.8%	$828	$1,384	$1,384	$1,384	$2,409	$2,409	$2,409	$2,409	$3,608	$3,651	$4,933	$4,998	$4,998	$4,998	$4,998	$4,998	$50,968	$6,388
Colo. River Water Conserv.	0.243	0.4%	$30	$51	$51	$51	$89	$89	$89	$89	$133	$134	$182	$184	$184	$184	$184	$184	$1,877	$235
County	9.05	16.1%	$1,135	$1,897	$1,897	$1,897	$3,303	$3,303	$3,303	$3,303	$4,947	$5,007	$6,764	$6,853	$6,853	$6,853	$6,853	$6,853	$69,888	$8,759
Fire General	0.874	1.6%	$110	$183	$183	$183	$319	$319	$319	$319	$478	$484	$653	$662	$662	$662	$662	$662	$6,749	$846
Library	0.5	0.9%	$63	$105	$105	$105	$182	$182	$182	$182	$273	$277	$374	$379	$379	$379	$379	$379	$3,861	$484
Parks and Rec.	6.51	11.6%	$816	$1,365	$1,365	$1,365	$2,376	$2,376	$2,376	$2,376	$3,559	$3,602	$4,865	$4,930	$4,930	$4,930	$4,930	$4,930	$50,273	$6,301
Rangely Town	10	17.8%	$1,254	$2,097	$2,097	$2,097	$3,650	$3,650	$3,650	$3,650	$5,466	$5,532	$7,474	$7,573	$7,573	$7,573	$7,573	$7,573	$77,224	$9,679
Hospital	13.239	23.6%	$1,660	$2,776	$2,776	$2,776	$4,832	$4,832	$4,832	$4,832	$7,237	$7,324	$9,895	$10,026	$10,026	$10,026	$10,026	$10,026	$102,237	$12,814
School Bond	4.442	7.9%	$557	$931	$931	$931	$1,621	$1,621	$1,621	$1,621	$2,428	$2,458	$3,320	$3,364	$3,364	$3,364	$3,364	$3,364	$34,303	$4,299
School General	3.687	6.6%	$462	$773	$773	$773	$1,346	$1,346	$1,346	$1,346	$2,015	$2,040	$2,756	$2,792	$2,792	$2,792	$2,792	$2,792	$28,473	$3,569
School Transportation	0.181	0.3%	$23	$38	$38	$38	$66	$66	$66	$66	$99	$100	$135	$137	$137	$137	$137	$137	$1,398	$175
Rio Blanco Consv.	0.623	1.1%	$78	$131	$131	$131	$227	$227	$227	$227	$341	$345	$466	$472	$472	$472	$472	$472	$4,811	$603
Total	**56.047**	**100%**	**$7,028**	**$11,750**	**$11,750**	**$11,750**	**$20,455**	**$20,455**	**$20,455**	**$20,455**	**$30,638**	**$31,008**	**$41,888**	**$42,443**	**$42,443**	**$42,443**	**$42,443**	**$42,443**	**$432,818**	**$54,248**

Table 7: Increment Flow Through

Rangely Development Project

Background

An analysis of the general economic conditions of Rangely reveals two primary obstacles to economic growth: 1.) A lack of "sense of place" in the downtown, and; 2.) Growth barriers for one of the Town's most important non-extraction based economic drivers – CNCC.

Broadly defined, economic drivers, also referred to as "primary jobs" are entities that sell goods or services that are produced locally, but are acquired from outside the Town, thereby attracting outside investment and spending. There are many important non-primary jobs and establishments that every community needs; however, they are largely a result of the presence of strong economic drivers. For example, retail establishments, banks[1], municipal services, etc., arise when the local population size is sufficient to support them. However, in order to attract primary jobs, communities must invest proactively to develop themselves into an attractive location that is able to compete in the global marketplace; and that means providing at very least a minimum level of service in the non-primary categories such as municipal services, banks, and essential retail.

Inherently, the need to attract demand drivers at the same time as developing the community creates a "chicken or the egg" problem. But in reality, it's a "chicken AND the egg" problem. Communities must develop their chickens, while simultaneously developing eggs, meaning, that community development and livability issues must be addressed simultaneously with efforts to attract primary jobs. Focusing on one or the other individually is a failed model of economic development. Therefore, the following strategy focuses on addressing quality of life and community development challenges. Simultaneously, although not described in detail in this document, are efforts by both the Town and the County to develop additional primary jobs and economic drivers.

There are no "silver bullets" in economic development, meaning that there are inherent risks involved with any project, but the risks of waiting are greater than the risks of doing something. Proactive communities begin where they are, leveraging existing assets and strategic opportunities to make calculated risks that have the greatest potential of making an impact.

The Challenges

1. Lack of "Sense of Place" Downtown

The downtown Rangely area is lacking the amenity mix needed to create the kind of "sense of place" required to attract employers and employees, increase the weekend population (college students as well as permanent residents), and reduce retail leakage. When a potential employer or student comes to town, the amount and quality of available amenities plays a significant factor in whether or not to locate to Rangely. If a potential Rangely resident is not satisfied with the level of amenities offered, they will likely move to another town that has what they

[1] Banks can be considered primary jobs to the extent that the bank primarily services the local population; it is possible for banks to become economic drivers if they are providing goods and services to other areas, thereby "importing" outside money in exchange for banking services. A good example would be investment banks, whose clients are typically non-local.

are looking for. A perfect example is the Blue Mountain Mine. A significant portion of their workforce commutes from Vernal, due to community development issues. In order compete with other similar communities, the lack of amenity offerings in Rangely must be addressed.

2. Growth Barriers at CNCC

CNCC is one of Rangely's strongest assets and one of Rangely's best opportunities for growth in the community. Through expansion of programs and sports teams, CNCC has the ability to increase the student and staff population in Rangely. College students in particular can be a great boon to the local economy, bringing with them dollars to be spent on housing, retail, and recreational activities. One of the biggest obstacles to growing CNCC programs is the lack of high-quality housing options for students and staff. The existing housing stock available for students and staff is lacking–both in quantity and quality. In order for CNCC to expand, the housing issue must be addressed.

Finding a Solution

When it comes to choosing catalytic real estate development projects, the goal is to pursue projects that will provide the biggest long term economic impact for the least amount of money. This means focusing on highly strategic projects, and carefully considering the size, location, and type of development.

The goal of the development project is to:

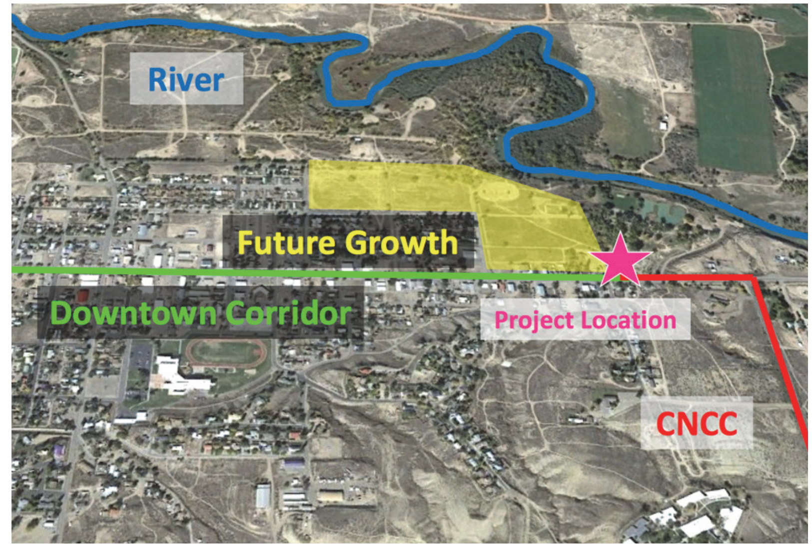
1. Create the conditions necessary to recruit employers, employees, and students to Rangely by providing missing amenities;
2. Position the community to attract tourism and highway traffic spending; and
3. Add local spending opportunities to capture retail leakage and feed those dollars back into Rangely economy.

The Project

Project Location

The four project location objectives are to:

1. **Enhance the existing downtown area** – The project location should provide easy access to other downtown offerings.
2. **Tie in natural assets** – The project location should provide easy access to the White River and Camper Park.
3. **Tie in student base** – The project location should provide easy access to CNCC for students traveling to and from campus.
4. **Catalyze future development** – The project should be located in an area that can support spin-off development nearby.

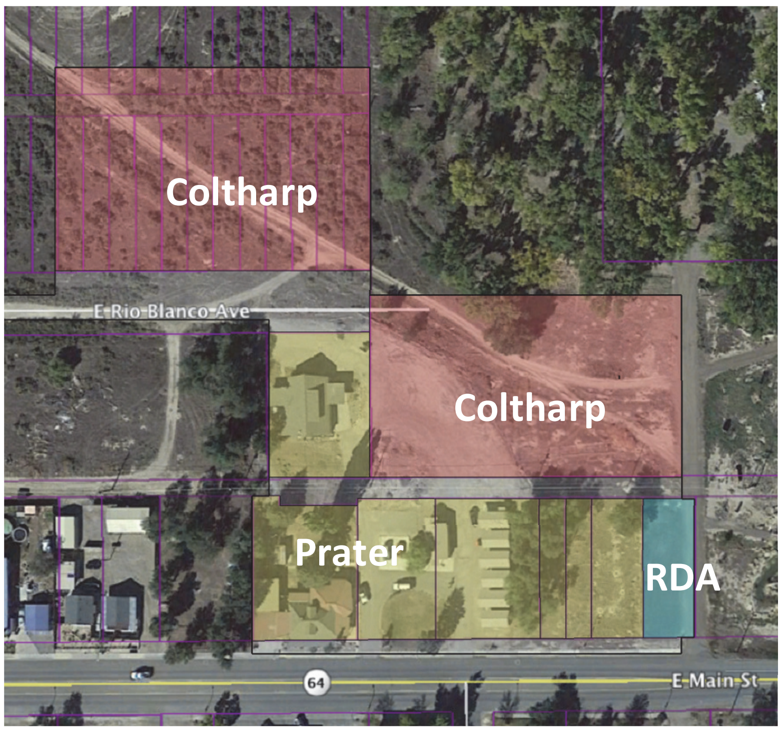


The area that best satisfies these four objectives is on the east side of the Main Street corridor near the existing Moosehead Lodge and Camper Park. This site provides easy access to the downtown corridor, CNCC, Camper Park, the White River, and is located adjacent to prime undeveloped land.

Property Ownership

The project site is approximately 4.75 AC and consists of three owners, one of which is the Rangely Development Agency, who will be contributing their parcel into the project.

Prater (Moosehead Lodge)	1.52 AC
Coltharp Family Trust	3.07 AC
Rangely Dev. Agency	0.15 AC
Total	**4.75 AC**



Project Type

Prospective employers require certain amenities for them to consider a location for their businesses– at the top of the list are full-service grocery stores, adequate housing options–and strongly prefer others–year round recreation, restaurants, and entertainment options. Prospective employees and students go through a similar process when evaluating where to live, work, and study. By looking at Rangely through the eyes of a prospective employer/student/resident, the shortcomings in the Rangely market become clear. The best way to address these shortcomings is a multi-use retail and housing project.

Given the risk profile of Rangely due to the slowdown of the oil and gas industry, it is anticipated that the developer of the project will require a 15% rate of return on the development. Market rate for new development ranges anywhere from 8-20%, depending on the size, scope, scale, and location of a given project. If the project dynamics of the proposed development in Rangely were able to provide for a 15% rate of return, and given the interest of a potential anchor tenant (Clark's) the community will likely be able to find an investor willing to take on the project.

Retail

The retail component of the project consists of a 12,000 SF full-service grocery store co-located with an entertainment venue tied to a quick service restaurant. In previous decades, the Town has had amenities such as this, including a movie theater at one point, and was a common point of discussion during interviews with local residents. The key to bringing these types of amenities back to Rangely, is to strategically position the development in a way that allows it to capture multiple revenue streams, and minimize overhead costs. Co-location of retail and entertainment is a successful model that allows the entertainment to succeed due to shared overhead, while at the same time the entertainment offerings draw additional patrons to the retail.

To validate this assumption, conversations were held with a successful grocery store operator, that has experience with the retail and entertainment concept in rural communities, Clark's Market. A successful small grocery chain, Clark's operates two establishments in the small town of Blanding Utah. One of which is a convenience store with a bowling alley inside that was created at the request of the local population. During conversations with Clark's, a concept was developed that would combine a full-service grocery store with the entertainment venue, as a hybrid of the two stores they operate in Blanding. Clark's expressed interest in the concept[2], and after conducting an initial brief analysis of the Rangely market, reported that if it were to operate the proposed development, it would support approximately 12,000 sq. ft. of retail space, in addition to the entertainment venue.

The challenge that is preventing them from investing in such as project on their own, is the debt and associated risk of new construction, if they were to take on the project by themselves. However, Clark's would be in a position to enter into a lease agreement with a developer, such as a five-year lease with an option to own. The forthcoming project and pro forma was designed with an operator such as Clark's in mind, and was an exercise to overcome the impediments that are preventing investment, and to allow a new development project to enter the community.

Based on the needs described by Clark's, the retail development project is estimated to cost $2.6 million. Table 1 shows the capital stack, or the breakdown of the sources and uses of the investment required to build the retail portion of the project.

[2] Clark's subsequently signed a letter of interest in the project. Contact Peter Brixius, Rangely Town Manager for a copy of the letter.

Sources	Amount	PSF	PCT
Debt	1,730,495	107.48	65%
Equity	931,805	57.88	35%
Dev'r Equity	*931,805*	57.88	*100%*
Public Participation	*0*	0.00	*0%*
Total	2,662,300	165.36	100%

Uses	Amount	PSF	PCT
Land Acquisition	315,540	19.60	12%
Construction	2,346,760	145.76	88%
Total	2,662,300	165.36	100%

Table 1: Sources and Uses Breakdown for Retail

Clark's market provided estimates on what it would likely be able to pay in terms of leasing the building based on anticipated market demand, and these estimates were used to calculate development performance estimates from the building owner's, or developer's perspective (see Table 2). It is important to note that the pro forma assumes a triple-net, or NNN lease, meaning that expenses such as utilizes, repairs, etc. are passed along to the tenant. As such, the pro forma is simplified and doesn't show expenses such as utility costs.

Retail Pro Forma	Yr 3
Retail Lease	149,818
Restaurant Lease	13,733
Bowling Alley Lease	26,530
Net Operating Income	190,081
Cap Rate	7.14%
Debt Service	-104,996
Equity Cash Flow	**85,085**
Levered Cash on Cash	9.13%
Incentives	
Property TIF	39,170
TIF %	*90%*
Sales TIF	23,328
TIF %	*60%*
Equity Cash Flow	**155,359**
Incentivized Cash on Cash Return	**16.67%**

Table 2: Retail Pro Forma, Developer's Perspective

As seen in Table 2, the incentivized cash return is slightly higher than the minimum requirement of 15%. As will be described later, the project overall needs to obtain a return of 15%, but the individual components (retail and housing) will have different individual rates of return.

A portion of the retail building could be used as a watersport rental kiosk, or, depending on the desires of the community, could be expanded allowing for OHV rentals and other outdoor recreation equipment. If these additional offerings were added, the sales tax estimates would change accordingly.

An earlier version of the pro forma that was used in previous discussions with local residents and taxing entities utilized a different approach of estimating property tax. The alternative approach yielded a much lower amount of property TIF, and as a result, the project required a much higher percentage of sales TIF. The pro forma shown in this document utilizes estimates obtained from the County Assessor to determine property TIF, and the percentage of sales TIF was decreased proportionally to achieve a similar rate of return.

Conversations were also held with the owner of the White River Market, to gauge interest in modifying the current grocery store in Town to essentially accomplish the same goal of adding entertainment offerings that would create additional demand drivers that would help capture retail leakage. At the time of the conversation, a significant portion of the grocery store had been converted into a hardware store, much to the chagrin of local residents. Ultimately, the owner was not interested in taking on the proposed project immediately, but did express interest in reviewing, and potentially responding to an RFP that would be issued at a later date seeking developers/operators for the proposed project.

Housing

While not requisite for the retail component, the addition and co-location of a new housing development with the retail development would be mutually beneficial. The proximity of retail offerings adjacent to a housing development would be an attractive amenity to help stabilize and ensure occupancy of the housing, and the housing would help stabilize the entertainment and retail. As described previously, one of the goals of the project is to increase weekend population, and the convenience of living right next to retail will influence the behavior of the residents of the new housing project.

The first phase of the housing development consists of 13 units and 13,750 gross square feet on three floors. The housing available at CNCC is outdated, small, and lacks the variety in floorplan configuration that meets the demands of students and staff with varying familial situations and preferences. The housing project is estimated to cost $1.5 million and includes a mixture of one, two, and three bedroom apartments.

Unit Mix	Units	Rooms	Max Occ
1x1	5	5	10
2x2	4	8	16
3x2	4	12	24
Total	13	25	50

Table 3: Student Housing Mix

If the new housing development were focused on students, maximum occupancy if every room had two occupants would be 50 students. However, because many students prefer to have a single-room, it is anticipated that the full occupancy of the building would be closer to 40. Average rent per unit is assumed to be $413/mo or $1,717/semester, which represents a

14% premium over Ross Hall (CNCC), which charges an average of $364/mo or $1,512 per semester[3] per unit (see Table 4).

Price Summary	/Mo	/ScYr	/Sem	Prem
Avg Shared	325	2,700	1,350	11%
Avg Private	502	4,167	2,084	15%
Blended	*413*	*3,434*	*1,717*	14%

Ross Hall	/Mo	/ScYr	/Sem
Avg Shared	292	2,426	1,213
Avg Private	436	3,622	1,811
Blended	*364*	*3,024*	*1,512*

Table 4: Housing Revenue Assumptions

Without any incentives or public participation, the housing project is estimated to generate a stabilized rate of return[4] of 2.7%, which is not sufficient to secure the interest of a developer. Pairing the housing development with the retail development helps to the extent that the returns from the retail project can supplement the lack of return from housing. However, a public private partnership[5] is needed to achieve an overall market rate of return. The partnership and incentive structure required to get the housing to an acceptable rate of return includes tax increment financing, as well as a one-time, direct investment of $350,000 to help cover up-front infrastructure and construction costs. The $350,000 gap, also referred to as the "funding gap" can potentially be filled with a variety of sources, including grants from State and local entities. One potential source of funding could be the Town's Housing Assistance fund, which has a current balance of just under $1 million. Table 5 shows the capital stack, or the breakdown of the sources and uses of the investment required to build the student housing portion of the project.

SOURCES	Total	/NSF	/Unit	PCT
Debt	1,073,414	97.58	82,570	65%
Equity	577,992	52.54	44,461	35%
Dev'r Equity	*227,992*	*20.73*	*17,538*	*39%*
Pub Partic	*350,000*	*31.82*	*26,923*	*61%*
Total	1,651,406	150.13	127,031	100%

USES	Total	/NSF	/Unit	PCT
Land Acq	61,420	5.58	4,725	4%
Construction	1,589,986	144.54	122,307	96%
Total	1,651,406	150.13	127,031	100%

Table 5: Sources and Uses Breakdown

Table 6 shows the stabilized year three pro forma, including the impact of the public private partnership.

3 Assumes a mix of shared and private rooms.

4 Stabilization is defined as the period in time in which occupancy reaches equilibrium, and is anticipated to occur by year three. Year one vacancy is estimated at 25%, year two at 15%, and year three and ongoing at 7%.

5 Public private partnerships, including the theory, history, and examples will not be further discussed in this document. For additional information please contact the Peter Brixius at the Town of Rangely.

Housing Pro Forma	Yr 3
INCOME	
Sales Proceeds	
Rents	165,488
Other Income	3,530
Gross Potential	169,018
Vacancy (%)	7%
Vacancy	-11,831
Effective Gross Income	157,187
EXPENSES	
Development Costs	
Loan	
Balloon Payment	
Taxes	4,248
Insurance	4,662
Utilities	14,331
Maint & Repairs	11,557
Management Fee	15,719
Trash	932
Admin & Misc	2,590
Cap Ex	1,734
Total Expenses	55,772
Net Operating Income	101,415
Expense Ratio	35.48%
Debt Service	80,022
Net Cash Flow	**21,393**
Levered Cash on Cash Return	3.7%
Property TIF	3,328
Incentivized Net Cash Flow	**24,721**
Incentivized Cash on Cash Return	**10.84%**

Table 6: Housing Pro Forma

Project Impact

The proposed project would bring $4.3 million of investment to Rangely and generate $1.49 million in tax increment through sales and property tax over 15 years. Of the $1.49 million generated, $691,936 would be allocated to the project to help cover debt service, investment costs, etc. to allow the project to meet a market rate of return. The remaining $793,952 would be allocated to the Town, County, and various taxing entities.

Development at the proposed project location would open up new development opportunities along Main St. and Rio Blanco Ave. The increase in the supply of quality student housing would allow for CNCC to expand its programs and add additional sports teams. The housing project–which could also house staff–could be used as a valuable recruiting tool for CNCC.

Financial Summary

When a developer is looking to place capital, they want to invest somewhere that minimizes risk while maximizing returns. Rural markets, like Rangely, are high-risk and tend to generate low market returns. In order for Rangely to attract a developer and retail operator to the Town to begin this path to economic diversification and prosperity, financial incentives must be offered to help compensate a developer for the risk of investing in a rural market.

A new development in a rural community of the size and scope of the proposed project should provide a minimum 15% annual cash on cash return to the developer in order for the project to be attractive. Without incentives, the project would yield an annual cash on cash return of:

Retail	9.13%
Housing	2.74%
Blended	**6.7%**

The amount of money needed to bring that blended cash-on-cash return to 15% is what's known as the "gap," or "shortfall." If the gap can be filled, a developer is much more likely to bring their dollars to Rangely. If the gap can't be filled, a developer will likely invest their dollars somewhere else that can provide them with a market return.

If public funds, including the possibility of grant funds, are contributed to the housing portion of the project in the amount of $350,000 up front, and tax increment financing is utilized at the rate described herein, the project has the potential to achieve the following cash on cash returns by year three:

Retail	16.67%
Housing	8.41%
Blended	**15.05%**

Tax Increment Financing

Once a project is built that utilizes TIF, taxing entities will continue collecting the amount of property tax they collected before the project was built, also known as the baseline tax amount. Additionally, a portion of the tax increment created by the project would flow through to the taxing entities.

Table 7 details the estimated increment that would go to each taxing entity if the project were built utilizing the strategy described herein.

TIF Contributed to Project

Entity	Mil Levy	% of Total Levy	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total	Annually After Project
Cemetery	0.098	0.2%	$0	$74	$74	$74	$59	$59	$59	$59	$41	$41	$22	$21	$21	$21	$21	$21	$666	$0
Rangely Junior College	6.6	11.8%	$0	$5,004	$5,004	$5,004	$3,979	$3,979	$3,979	$3,979	$2,780	$2,737	$1,455	$1,390	$1,390	$1,390	$1,390	$1,390	$44,854	$0
Colo. River Water Conserv.	0.243	0.4%	$0	$184	$184	$184	$147	$147	$147	$147	$102	$101	$54	$51	$51	$51	$51	$51	$1,651	$0
County	9.05	16.1%	$0	$6,862	$6,862	$6,862	$5,457	$5,457	$5,457	$5,457	$3,812	$3,753	$1,996	$1,906	$1,906	$1,906	$1,906	$1,906	$61,504	$0
Fire General	0.874	1.6%	$0	$663	$663	$663	$527	$527	$527	$527	$368	$362	$193	$184	$184	$184	$184	$184	$5,940	$0
Library	0.5	0.9%	$0	$379	$379	$379	$301	$301	$301	$301	$211	$207	$110	$105	$105	$105	$105	$105	$3,398	$0
Parks and Rec.	6.51	11.6%	$0	$4,936	$4,936	$4,936	$3,925	$3,925	$3,925	$3,925	$2,742	$2,699	$1,436	$1,371	$1,371	$1,371	$1,371	$1,371	$44,242	$0
Rangely Town	10	17.8%	$0	$7,582	$7,582	$7,582	$6,029	$6,029	$6,029	$6,029	$4,212	$4,146	$2,205	$2,106	$2,106	$2,106	$2,106	$2,106	$67,960	$0
Hospital	13.239	23.6%	$0	$10,038	$10,038	$10,038	$7,982	$7,982	$7,982	$7,982	$5,577	$5,490	$2,919	$2,788	$2,788	$2,788	$2,788	$2,788	$89,972	$0
School Bond	4.442	7.9%	$0	$3,368	$3,368	$3,368	$2,678	$2,678	$2,678	$2,678	$1,871	$1,842	$980	$936	$936	$936	$936	$936	$30,188	$0
School General	3.687	6.6%	$0	$2,796	$2,796	$2,796	$2,223	$2,223	$2,223	$2,223	$1,553	$1,529	$813	$777	$777	$777	$777	$777	$25,057	$0
School Transportation	0.181	0.3%	$0	$137	$137	$137	$109	$109	$109	$109	$76	$75	$40	$38	$38	$38	$38	$38	$1,230	$0
Rio Blanco Consv.	0.623	1.1%	$0	$472	$472	$472	$376	$376	$376	$376	$262	$258	$137	$131	$131	$131	$131	$131	$4,234	$0
Total	**56.047**	**100%**	**$0**	**$42,497**	**$42,497**	**$42,497**	**$33,793**	**$33,793**	**$33,793**	**$33,793**	**$23,610**	**$23,240**	**$12,359**	**$11,805**	**$11,805**	**$11,805**	**$11,805**	**$11,805**	**$380,896**	**$0**

TIF Contributed to Taxing Entities

Entity	Mil Levy	% of Total Levy	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total	Annually After Project
Cemetery	0.098	0.2%	$12	$21	$21	$21	$36	$36	$36	$36	$54	$54	$73	$74	$74	$74	$74	$74	$757	$95
Rangely Junior College	6.6	11.8%	$828	$1,384	$1,384	$1,384	$2,409	$2,409	$2,409	$2,409	$3,608	$3,651	$4,933	$4,998	$4,998	$4,998	$4,998	$4,998	$50,968	$6,388
Colo. River Water Conserv.	0.243	0.4%	$30	$51	$51	$51	$89	$89	$89	$89	$133	$134	$182	$184	$184	$184	$184	$184	$1,877	$235
County	9.05	16.1%	$1,135	$1,897	$1,897	$1,897	$3,303	$3,303	$3,303	$3,303	$4,947	$5,007	$6,764	$6,853	$6,853	$6,853	$6,853	$6,853	$69,888	$8,759
Fire General	0.874	1.6%	$110	$183	$183	$183	$319	$319	$319	$319	$478	$484	$653	$662	$662	$662	$662	$662	$6,749	$846
Library	0.5	0.9%	$63	$105	$105	$105	$182	$182	$182	$182	$273	$277	$374	$379	$379	$379	$379	$379	$3,861	$484
Parks and Rec.	6.51	11.6%	$816	$1,365	$1,365	$1,365	$2,376	$2,376	$2,376	$2,376	$3,559	$3,602	$4,865	$4,930	$4,930	$4,930	$4,930	$4,930	$50,273	$6,301
Rangely Town	10	17.8%	$1,254	$2,097	$2,097	$2,097	$3,650	$3,650	$3,650	$3,650	$5,466	$5,532	$7,474	$7,573	$7,573	$7,573	$7,573	$7,573	$77,224	$9,679
Hospital	13.239	23.6%	$1,660	$2,776	$2,776	$2,776	$4,832	$4,832	$4,832	$4,832	$7,237	$7,324	$9,895	$10,026	$10,026	$10,026	$10,026	$10,026	$102,237	$12,814
School Bond	4.442	7.9%	$557	$931	$931	$931	$1,621	$1,621	$1,621	$1,621	$2,428	$2,458	$3,320	$3,364	$3,364	$3,364	$3,364	$3,364	$34,303	$4,299
School General	3.687	6.6%	$462	$773	$773	$773	$1,346	$1,346	$1,346	$1,346	$2,015	$2,040	$2,756	$2,792	$2,792	$2,792	$2,792	$2,792	$28,473	$3,569
School Transportation	0.181	0.3%	$23	$38	$38	$38	$66	$66	$66	$66	$99	$100	$135	$137	$137	$137	$137	$137	$1,398	$175
Rio Blanco Consv.	0.623	1.1%	$78	$131	$131	$131	$227	$227	$227	$227	$341	$345	$466	$472	$472	$472	$472	$472	$4,811	$603
Total	**56.047**	**100%**	**$7,028**	**$11,750**	**$11,750**	**$11,750**	**$20,455**	**$20,455**	**$20,455**	**$20,455**	**$30,638**	**$31,008**	**$41,888**	**$42,443**	**$42,443**	**$42,443**	**$42,443**	**$42,443**	**$432,818**	**$54,248**

Table 7: Increment Flow Through

The connection between energy, recreation and tourism

By Guest Columnist

Sunday, October 2, 2016

By David Ludlam

Balance is achieved in relationships not by living in total detachment or close enmeshment. People are most healthy when balance is achieved through interdependence. This fact is true of human relationships but also true of communities and economies.

Historically, western Coloradans chase promises of an “energy future” when natural gas drilling is high. And are then quick to swear off energy altogether when prices are low, shouting “diversification” for diversification’s sake. The best path forward lies between these manic approaches. Unapologetically embracing all economic potential, all the time, based on the resources and talents in the Grand Valley, is the healthiest way to secure maximum prosperity.

Gov. John Hickenloopers’ last visit to Grand Junction resulted in a local business owner crooning in The Daily Sentinel thrilled that, “the governor was here to talk about outdoor recreation, not Jordan Cove.” Either-or thinking detracts from western Colorado’s true economic potential. Snarky sentiment sparks vitriol between business interests that all actually have a lot of common ground. A more thoughtful response might have sounded different: “Gov. Hickenlooper is here to talk about outdoor recreation. We’re glad he’s here to support an emerging economic sector that can thrive alongside existing energy and agricultural businesses.”

The energy industry brings investment and capital on a scale few other sectors can — just not all the time. During periods of high drilling some companies invest more than $1 billion annually just in capital —not counting jobs, payroll, taxes and philanthropy. These investments bring extraordinary amounts of external investment creating permanent value in the form of community infrastructure. Lasting infrastructure supports future economic diversification. As reported in The Daily Sentinel, western Colorado’s new world-class outdoor shooting complex in Palisade received more than $2 million in natural gas and oil royalties.

In addition, Palisade’s Main Street renovation, Fruita’s downtown beautification, the Avalon Theatre renovation, upgrades to the Mesa County Library, Colorado Mesa University’s library technology, the newly constructed public safety training facility and countless invaluable projects are built with natural gas royalties. In many cases, natural gas revenues are the largest financial contributor. Energy is good at creating the scale necessary to build these amenities then utilized by other sectors like tourism and recreation to attract investment supporting further growth and diversification.

Cynics are quick to swear off the energy industry. Others roll their eyes at the idea of promoting outdoor recreation. Taking a long view, most people understand these two sectors are interdependent and work well together when eyes are locked on the horizon instead of the ground.

Western Colorado can avoid tendency toward all-or-nothing thinking during the stress of economic downturns or the exuberance of energy good times. Going back to basics and understanding the resources, skills and talents of the community — and then shamelessly promoting all potential opportunities irrespective of political disposition — is the path forward. Kooks and crazies will always oppose energy development. Curmudgeons and cowards will always hate new ideas. But most people are thoughtful and embrace the concept of developing all viable economic assets.

The valley sits on top of the largest natural gas reserve in the United States. The valley harbors a burgeoning university providing economic stability during downturns and national recessions when tourism and recreation spending are reduced. The valley triangulates between deserts of Utah and mountains of the Continental Divide with unmatched natural wonder. The valley health-care sector is world-renowned and for good reason. And agriculture remains as a staple of heritage.

A community can’t be all things to all people — this is true. But even more true is the fact that a community can be many things to many people. Amenities that are attractive to tourism and outdoor recreation are often built from capital investment during times of energy prosperity. The energy sector needs agriculture and health care to provide a high quality of life for workers and their families. A university needs a strong diverse economy with multiple thriving sectors to sustain placement of its graduates. Western Colorado’s multiple sectors are not to be pitted against each other in cheap political disposition; rather, each is to be promoted in parallel to one another recognizing each sector’s limitations.

When measured by decades, all the region’s economic sectors can be developed together alongside a healthy and agnostic recognition: Each sector is interdependent and additive to one another — the best way for a relationship to be.

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