

2013 Taos Economic Development Action Plan

EXECUTIVE SUMMARY

Until recently, Taos has been able to neglect the growth of its economy and the economy grew despite our lack of interest and effort. Primarily built upon the arts, geographic splendor and fascinating history, Taos became a place that at its center thrived on culture, natural beauty, creativity and relative isolation which combined to create a unique tourism draw that grew organically and rapidly. But somewhere in the mid 1990's there was a shift in the national economy that slowly eroded the effortless gains Taos was experiencing and in 2006 our economy began its steep descent into a severe recession, one year before the rest of the nation, and that recession continues today while the nation begins its slow recovery. If we do nothing it is likely Taos' economic conditions will continue to worsen and the recession will deepen. The solution is to work together as a region with a focus on applying a community economic development strategy (CED) and actively stabilizing and improving our economy.

There are no quick solutions or "magic bullets" when it comes to community economic development. Successful CED requires a consistent focus on incremental regional improvements through a regionally supported; competent; and accountable organization that has as its sole focus the implementation of actions that efficiently and effectively achieve regional goals for an improved quality of life (community) and economy (economic) and does so with a balance of investment in community and economic improvements.

The 2013 Updated Community Economic Development Foundational Strategic Plan (Foundational Plan) and this 2013 Community Economic Development Action Plan are intimately linked and together offer a mix of short-term, mid-range and long-term strategies designed to improve Taos' quality of life and economy. Given the high quality of life in Taos and the recent large investments in improving our quality of life (i.e. the Youth and Family Center, Taos Eco Park, potential cross-wind runway, etc.), these plans focus almost exclusively on improving our economy.

The Current Status of Our Economy

LeapPartners developed the "Taos Economic Report Card" as an accessible document that demonstrates graphically our current economic trends and conditions from 2006 to 2011, the most recent data available. The Report Card (provided in the main body of this Action Plan) shows that Taos' key economic indicators have all been in decline:

- Population: A decline of working age people (age 20 to 54) of -3.3% or -1,074 people and an increase of retirement age people (age 55+) of +5.6% or +2,068 people. The median age for Taos County is 44 as of 2010.
- Business Activity: A loss of -10.34% of our income as a County or a -\$93,454,530 loss.
- Employment: A loss of -745 jobs and a loss of -334 employer/proprietors and a current unemployment rate of 9.1% as of April 2013.

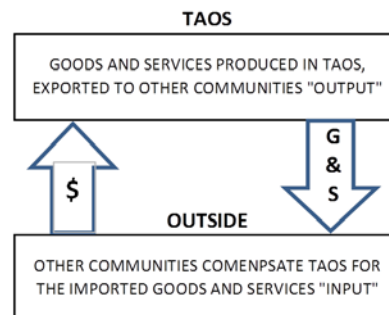
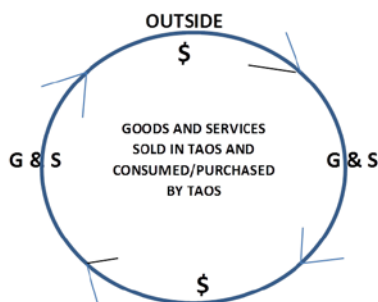
2013 Taos Economic Development Action Plan

- Income: If you were able to keep your job during the recession you saw a small +7.5% increase in wages from 2006 to 2011 and a +3.1% increase to the value of your benefits. If you are an employer/proprietor the value of your income has dropped by -10.6% between 2006 and 2011.
- Types of Income: There are two forms of income: passive and active. Passive income is further divided into two categories – dividends, interest and rent (income from investments); and transfer payments (income provided through government assistance programs such as unemployment, welfare and disability). Active income is income comes from working to deliver goods and services. As of 2011 Taos County received only 49.5% of its income from active work while passive income composes 50.5%, with transfer payments dominating at 30.3%.

What Is Economic Development?

There are many misconceptions about what economic development is and is not. It is critical to understand how an economy functions if one is to stabilize it and then improve a local economy. An economy has two functions:

- Internal circulation of goods and services within the community that supports residents with locally consumed goods and services and is focused on providing a high quality of life (community)
- &
- The export of goods and services (output) in exchange for money (input) with a focus on increasing community wealth and growing the size of the economy



A common misconception is that a buy local campaign is economic development. While a buy local campaign is important for retaining local purchasing power and will strengthen the local support system, it does not bring in new money which is needed to grow the local economy; it merely slows the leaking of money out of the community. True economic development is focused solely on retaining, expanding, attracting and even incubating businesses that send out goods and services and bring in new money.

Economic development is focused on increasing community wealth and growing the size of the economy which is the basis of a local economy. If there are no goods or services exchanged for new money the economy will eventually collapse; not everything that is consumed locally is or can be produced locally. Community economic development seeks to balance these functions in order to have a healthy community with a vibrant economy. Because Taos has long focused on improving the

2013 Taos Economic Development Action Plan

community's quality of life and has been successful at doing so, this plan turns its attention to economic development; the growth of the economy and the generation of community wealth.

The Planning Process

The focus of this Action Plan is to provide specific recommendations and regional economic development goals that have been developed through community participation and professional analysis and forward the foundational strategy established in the 2010 Foundational Plan. The community participation in the planning process began with two public kick-off meetings in February 2013; followed in May 2013 by a roundtable discussion with local business and community leaders; and concluded with eight work group meetings, two meetings each in four important focus areas, were held over June and July. The focus of the work groups was determined in part by the 2010 Foundational Plan and confirmed and supported by the community during the initial stages of the community participation. The areas of focus are:

- *Creative Industries*: The fabrication of artistic/creative goods and provision of artistic/creative services
- *Business Retention, Expansion and Incubation*: Improving all facets of the business climate for all businesses
- *Technology*: Any business whose core foundation is the development of technology, provision of technological services and its advances
- *Retail and Tourism*: Includes accommodations, food and beverage, adventure/guiding and ancillary businesses, and retail that is focused primarily on the sale of goods and services consumed by visitors

LeapPartners meanwhile gathered and analyzed a variety of economic data that would realistically support or dismiss the goals developed by the work groups and our professional recommendations. Our analysis is focused on ensuring the most effective and efficient use of our limited local resources by using realistic trend analysis and conservative projections of the impact of three levels of action.

Current Composition of the Taos Economy

The US Government has long been producing information about the economy. Given the vast amount of information there is an organizational system, the North American Industry Classification System (NAICS) that provides a common definition for each industry. This numbering system starts at broad categories that have 2 digits and with each additional digit providing more specificity until the number reaches 6 digits. For our purposes we have used 2 to 4 digit NAICS for identifying the composition of the Taos economy. NAICS codes are used to define and identify relevant data for three of the four work group focus areas; Business Retention, Expansion and Incubation cannot be assigned a NAICS since its focus is on broad actions that affect Taos' business climate in general instead of one specific industry.

The following chart shows the top fourteen (14) industries that compose Taos' economy, what each industry's value is to the economy and whether it contributes to the development of the community or the economy (focus areas are in **bold**):

2013 Taos Economic Development Action Plan

Industry	NAICS	% *	\$ value*	(C)ommunity or (E)conomy
Retail Trade**	44-45	39.8	\$325,830,206	C**
Construction	23	14.7	\$120,335,963	C
Accommodations & Food Services	72	10.4	\$85,362,491	E
Other services	81	7.5	\$61,174,538	C
Utilities	22	5.0	\$41,021,630	C
Wholesale Trade	42	4.2	\$34,427,285	E
Information	51	4.1	\$33,922,476	E
Professional, Scientific & Tech Services	54	3.6	\$29,158,076	E
Health Care & Social Services	62	3.0	\$42,062,343	C
Manufacturing	31-33	2.3	\$19,185,750	E
Real Estate, Rental & Leasing	53	2.0	\$16,117,251	C
Admin, Support, Waste Mang.	56	1.0	\$8,530,724	C
Arts, Entertainment & Recreat.	71	.7	\$5,663,301	E
Agriculture, Forestry, Fishing & Hunting	11	.5	\$3,995,198	E
Total		98.8	\$826,787,232	
Total Community Based		77.2	\$638,279,743	
Total Economy Based		21.6	\$178,586,042	

*As of December 31, 2011 ** Visitor oriented retail is a small % of this overall code

Recommendations

The following recommendations were developed by the work groups and LeapPartners. They are provided here in relative order of importance, although at the work group level no particular focus area's recommendations are more or less important than another's and some of the work group recommendations need further refinement prior to implementation.

Principal Recommendation

Our *principal* recommendation is to create and develop a Regional Economic Development Organization. Currently there is no single entity that has as its sole focus the development of the economy of the Enchanted Circle region. We believe that without such an entity the remainder of this Action Plan will be moot.

To be successful this new regional economic development entity must be:

- A private non-profit organization that has a public/private partnership that provides oversight and funding
- Held accountable annually and be required to produce measurable results
- Must have as its sole focus the transition, stabilization and growth of the Enchanted Circle's economy and will work solely with those businesses that export goods and services and import community wealth
- Able to coordinate and work in partnership with existing entities such as TEN, Taos County Chamber of Commerce, Taos County Economic Development Corporation, etc.

2013 Taos Economic Development Action Plan

General Recommendations

These general recommendations were provided suggested and supported by the public throughout the planning process, beginning in February at the Kick-off Meetings through the work group sessions. These recommendations are foundational to successfully continuing the momentum built during the creation of this Action Plan.

- Annually convene the Taos Economic Transition Roundtable to reassess the direction and results achieved during the previous year
- Produce Taos Economic Report Card annually and provide a wide distribution of the Report Card (should be available for the Taos Economic Transition Roundtable)
- Work to improve communication and collaboration among and within private sector industries and between the public and private sectors
- Continue to regionalize public services that serve the region

Work Group Recommendations

The work groups did intensive work on developing realistic goals that were put through the SMART (Specific, Measurable, Attainable, Relevant and Timely) process and just the essences of their recommendations are presented here. For the full detailed recommendations please see the main body of this Action Plan.

Business Retention, Expansion & Incubation: This work group has as its primary focus the improvement of the business climate in general for the region which is currently part of the mission of number of entities such as the Taos Entrepreneurial Network, Taos County Chamber of Commerce and other small local Chambers of Commerce. A primary concern was the effectiveness and efficiency of these entities and a lack of coordination between them that could often leave businesses without assistance. Their primary recommendations are to:

- Improve the business climate in Taos to allow for and encourage collaborative relationships, networks, and improved communication
 - This would start with an effort to create lines of communication and cooperation between business assistance entities and working with them to ensure relevancy to businesses in the region
- Develop an intern program (or expanded job shadow program) where teens entering their junior year and above intern at local businesses of interest.

Significant effort is already being applied by various entities to the retention, expansion and incubation of businesses. We recommend that assistance be provided to the major players in this area, namely TEN and the Taos County Chamber of Commerce to ensure efficiency, effectiveness and relevancy.

Creative industries: One fact that may be the most difficult for Taoseños to accept is that two of our iconic areas of business; Arts, Entertainment & Recreation (a part of both creative industries and tourism); and Agriculture, Forestry, Fishing & Hunting (which includes everything from raising cattle to guiding services), are very minor parts of the Taos economy, making up only .7% and .5% respectively of our economy. While these are not significant from an economic perspective, it does not reduce their importance

2013 Taos Economic Development Action Plan

for community identity and cultural preservation. It does indicate that these areas need to be protected and stabilized but they are not avenues for economic recovery. Taos is blessed with many creative individuals and organizations and the work group believed that the best possible actions that the community could take to shore up its remaining creative talent were to share information and collaborate regularly. This work group's primary recommendations are to:

- Bring together representatives of arts organizations, events and different facets of the creative industries to coordinate marketing efforts
- Work with the Town's marketing firm and others to ensure that marketing emphasizes that Taos is a place where artists live and the reasons why they choose Taos

While substantial investment of time and resources in these areas will not yield much in the way of economic recovery, sufficient time and resources should be applied to keep this area stable.

Technology (includes Information: Professional, scientific and technical services): The focus of this work group is on the use, development and servicing of technological product or the provision of professional, scientific and technical services. This includes things such as development of alternative energy, information technology including custom programming and internet service providers and providing professional services such as accounting or legal services and scientific services such as personal care product formulation. The majority of the businesses in this area can be located in the NAICS codes for information and professional, scientific and technical services. These sectors are growing at a rapid pace where the remainder of the region's economy is somewhere between a steep down trend and anemic growth.

One additional NAICS sector should be included in this focus and that is manufacturing and more specifically personal care product manufacturing. Personal care products are both a creative endeavor and professional, scientific and technical service. While little manufacturing happens in Taos there is a substantial amount of gourmet food production and personal care product manufacturing. While Taos lost a number business in both, the manufacturing sector has remained stable, mostly due to robust growth in the manufacturing of personal care products.

The work group's recommendations mostly revolve around solving workforce development issues as the lack of qualified workforce is the biggest barrier for this sector in Taos. The technology work group's primary recommendations are:

- Promote technology related degrees and courses at UNM (distance and local)
- Attract (Identify) technology leader to (in) Taos
 - Identify areas of technology that are being developed and could be sold;
 - Identify current market forces that may lead to successful commercialization of those technologies.
 - Once research is complete target that sector for leadership

We recommend that a substantial investment of time, effort and resources be put into the Information; professional, scientific and technical services; and personal care product formulation and manufacturing business sectors. Together these sectors are

2013 Taos Economic Development Action Plan

responsible for more than 38.6% or \$68,934,212 of the new money brought into the region. They also provide high wage and high skilled jobs and can take advantage of the economic development tax credits provided by the state government.

Tourism & Retail: There is no denying that Taos has a tourism based economy currently. It is also true that tourism and visitor focused retailing have been struggling. With accommodations and food services, a major component of tourism, showing an anemic 1.14% growth in revenues, coupled with providing low wage and low skilled jobs, our heavy reliance on this sector is fraught with potential disaster. Additionally, visitor based retail, such as galleries, are nearly impossible to effect as there are too many variables at play in that market.

This is not to suggest that we should abandon or ignore these sectors, but we must focus our limited resources toward those investments of that will provide the community with the largest return and the best opportunity for stabilizing and transitioning the economy away from its heavy reliance on tourism and in particular accommodations and food services that comprises 47.8% or \$85,362,491 of our economic base.

The work group focused mostly on improving the current marketing provided by both the public and private sector. Its recommendations were to:

- Improve communication with Town's marketing contractor
- Create realistic benchmarks for the Town's marketing contractor
- Complete a 3rd party market analysis/study
- Identify one identity for the community that is consistent (brand)
 - Use community characteristics such as the rural and approachable character as a part of the identity

Conclusion

The Enchanted Circle region can no longer rely on the natural evolution of its economy. The economy here is in a fragile period and is changing. This is a time when the economy will make an irreversible shift. If we do nothing and allow our economy to continue on its course, we will see a very slow recovery from the recession. The table below shows conservatively what we can expect our economy to look like relative to our efforts:

Impact	2011 Revenues	2016 Projected Revenues	% Increase	\$ Increase	Compared to 2006
Status Quo	\$837,060,565	\$865,936,592	3.44%	\$28,876,027	(47,208,720)
Moderate		\$878,453,458	4.94%	\$41,392,893	(34,691,854)
Robust		\$896,136,940	7.06%	\$59,076,375	(17,008,372)

If we do nothing we can anticipate that our economy will see only a very slow recovery that won't even keep up with the consumer price index. If we act, we have a chance to stabilize our economy and eventual spur real growth and successfully transition our economy.