Gunnison County Strategic Plan
Strategy D4

D4. By December 31, 2020, Gunnison County will establish a regulatory framework to encourage and direct industrial and commercial development into existing platted or zoned areas and enable opportunities for new commercial and industrial developments and newly developed Special Geographic Areas in order to:

- **a) Preserve our rural heritage.**
- **b) Protect our community corridors (Hwy 50 and Hwy 135) and view sheds along those corridors.**
- **c) Support the community values described in the One Valley Prosperity Strategy.**
- **d) Support compact development patterns.**

Lead: Community and Economic Development Department Director Cathie Pagano

Team: Deputy County Manager Marlene Crosby, Senior Planner Rachel Sabbato, County Attorney David Baumgarten and Deputy County Attorney Matt Hoyt.

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To: Board of County Commissioners

From: Cathie Pagano, Director of Community and Economic Development

Date: January 10, 2020

Re: Strategic Plan Result D.4

The Gunnison County Board of Commissioners, adopted the 2019 Gunnison County Strategic Plan and result D.4.:

"By December 31, 2020, Gunnison County will establish a regulatory framework to encourage and direct industrial and commercial development into existing platted or zoned areas and enable opportunities for new commercial and industrial developments and newly developed Special Geographic Areas in order to:

a) Preserve our rural heritage.

b) Protect our community corridors (Hwy 50 and Hwy 135) and view sheds along those corridors.

c) Support the community values described in the One Valley Prosperity Strategy.

d) Support compact development patterns."

City of Gunnison Comprehensive Plan and Three Mile Plan Public Input
The City of Gunnison conducted outreach during the Comprehensive Plan process in 2019. The following summaries, prepared by the City's consultant, Houseal Lavigne Associates, LLC, are linked for your reference:

- Visioning Workshop Summary
- Business Workshop Summary
- Community Workshop Summary
- Spanish Language Workshop Summary

The following public input is relevant to the Board's Strategic Plan result D.4.:

- Desire for multi-modal community including more RTA stops, senior shuttle services, and public bike stations
- Connections throughout community for pedestrians and bicycles was major theme
- Expand commercial areas to the north
- Screen industrial areas in the corridor
- Improve west side entrance to City of Gunnison
- Allow for denser development in 3-mile area if services available
- Lack of commercial/industrial space
- Prioritize density and infill rather than expansion
- Develop housing above commercial uses
- Revitalize old buildings

- Incorporate industrial areas into Gunnison Rising
- Hide industrial areas of west Hwy 50 with landscaping
- Convert larger industrial facilities to create smaller facilities where needed
- Develop Gold Basin
- Develop a financial method to allow for more redevelopment of industrial space
- Incentivize land owners to maximize use of industrial properties
- Develop public/private partnerships
- Provide horizontal infrastructure to Gunnison Rising
- Need for diverse, resilient, sustainable new year-round economic development
- Need for smart growth to avoid sprawl
- Need for increased land use and development density
- Business growth without sprawl

Market Analysis

Staff has conducted a commercial and industrial market analysis to identify the type and quantity of demand along with the available supply. Staff spoke with realtors Brian Cooper, Coldwell Banker; Josh Townsend, Clarke Agency; Erich Ferchau, Remax; and Jason Lain, Berkshire Hathaway to better understand the local market. A report of sales of the past three years and current listings is attached.

Overall themes of the four conversations are: desired lots sizes are relatively small (one half acre or less); demand is highly variable; industrial demand is greater than commercial demand; City of Gunnison and north Highway 135 are primary locations in demand.

Brian Cooper of Coldwell Banker and I spoke in late October. Mr. Cooper made the following comments during our conversation:

- There are a healthy amount of commercial and industrial buildings for sale in Gunnison.
- Buyers are not necessarily conducting adequate due diligence regarding costs of new construction vs. costs of remodeling existing buildings.
- Commercial financing is difficult.
- Space demand is smaller than it used to be—buyers are conservative in order to keep costs down.
- Two acre sites are too large for most clients.
- There is not the demand or return on investment for commercial properties (rents are not adequate to cover costs of buying commercial building).
- Outdoor storage is desirable because of financial offset that it provides to property owner.
- Highway 135 corridor is more desirable than Highway 50 corridor.
- Atmos Energy is an example of buyer that wanted to build new rather than utilize existing buildings that are available and for sale.
- A parcel (one half acre) that included office, warehouse, outside storage, and residential would be very popular and valuable on today's market.

Josh Townsend of Clarke Agency and I spoke in October. Mr. Townsend made the following comments during our conversation:

- Demand is variable for commercial and industrial properties—it is inconsistent and unpredictable.
- The only inquiries he had for commercial/industrial properties in past year were from Atmos, USFS, Colorado State Forest Service and BLM.
- Parcels in the City are limited—he said that a few owners hold the majority of commercial/industrial land and those parcels are not currently for sale.
- Buyers prefer frontage on Highway 135.

- North gateway to City of Gunnison has already been impacted and recommends allowing more commercial/industrial uses with landscaping requirements and design guidelines.
- There is a lack of supply but also not much demand.
- One-half to one-acre sites are ideal; two acres is too big.

Jason Lain, Berkshire Hathaway and I spoke in November. Mr. Lain made the following comments during our conversation:

- Commercial land is difficult anywhere in the County—it will sit on market for a while.
- Sellers struggle with realistic values of property (i.e. seeking higher value than property may be worth).
- Demand is inconsistent.
- Recommends that plans/regulations should be flexible to allow for different development sizes.
- Fast tracking an approval process is helpful.
- Gold Basin lease requirements are a drawback; buyers prefer to own.

Erich Ferchau, Remax and I spoke in December. Mr. Ferchau made the following comments during our conversation:

- Market is variable and fickle in the south valley.
- There's a bit of demand in Gunnison but it is difficult to characterize, find a niche for it, and solve need for more than one buyer.
- He will try to tailor what's available to meet a need but that same need won't necessarily occur again for several years (demand is inconsistent).
- Buyers are looking for parcels in City of Gunnison or to the north of the City. Buyers do not want to locate east or west of City on Highway 50.
- Not sure that restricting what is developed north of town is necessary.
- Demand is inconsistent.
- He has found sellers for lots that weren't on the market—parcels are then at a premium.
- Part of issue is supply and demand and how it's driving up prices for residential and industrial; commercial availability is better in City.
- Tax assessments don't reflect actual market values.
- To have steady market where you can create industrial zone, more needs to be done to stimulate economy.
- Two acre lots are too big—1/3- 1/2 acre sites would be more appropriate. Central services—water, sewer, three-phase power, are critical elements for commercial/industrial uses. Extension of services is important.
- Additional annexation of land into City would be beneficial.
- If Gunnison Rising gets off the ground it could derail interest in other areas. The closer Gunnison Rising becomes to a reality the more it will impact development patterns. He urged caution for creating new development areas. Ferchau said that the development of Gunnison Rising could negatively impact other possible developments (such as new industrial areas).
- In his opinion Gunnison Rising requires investment from City and County. He believes that the community is at the point where it is necessary to take that risk to help make the development work and be successful.

GIS Mapping Analysis

Hillary Seminick, Senior Planner, completed a mapping analysis of an area around the City of Gunnison and including a portion of the Highway 135 corridor. This analysis is a visual representation of the existing platted lots and their uses, along with information on conserved parcels and the overall development pattern that exists. Uses were categorized using a combination of Assessor data and visual analysis. This analysis did not include an exhaustive review of past Land Use Change approvals or requests. <u>Uses identified on these maps do not represent a vested right.</u>

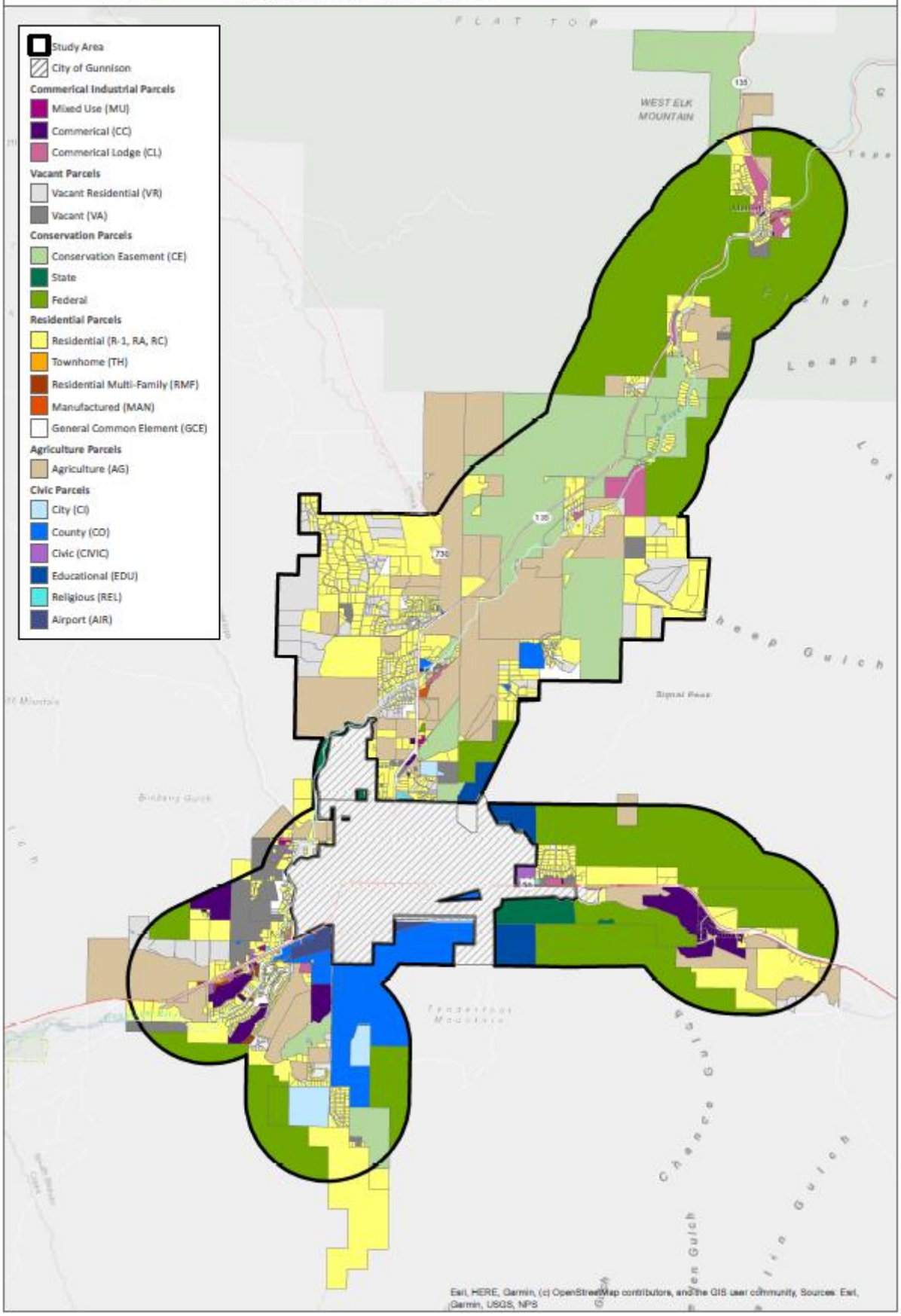
Use Analysis: All Uses

Not for publication. For internal reference only. This map does not establish a formal use nor zoning analysis or designation. The information on this map does not create a legal or vested right or any claim of detrimental reliance.

0 1 2 Miles

1 in = 1 miles

December 2019



The map depicts a development pattern that is inconsistent and sprawls north along Highway 135. Much of the development ends at the intersection of Ohio Creek Road and Highway 135 with larger agricultural parcels characterizing the Highway 135 corridor north of Ohio Creek Road. Many of the agricultural lands in the Highway 135 corridor have been placed in conservation easements. Residential parcels are the majority (70%) of the parcels within the Study Area. Agricultural acreage and Residential acreage are effectively equal; however, Federal lands, make up the majority of the acreage within the Study area.

Use Summary				
Use	**Parcels**	**Total Acreage**	**Potential new 35 Acre Subdivided Parcels[1]**	**Potential One Acre Subdivided Parcels[2]**
Agriculture	58	5,179	94	934
Airport, Civic, Religious	17	187	-	-
Commercial/Industrial	72	996	-	-
Conservation Easements	15	3,912	-	-
Educational	4	354	-	-
Federal	19	8,316	-	-
General Common Element	34	214	-	-
Local Government	42	1415	-	-
Residential	1,284	5,600	-	-
State	5	268	-	-
Vacant	280	2075	6	1,795
Total	1,830	28,521	162	11,103

Demographic Projections

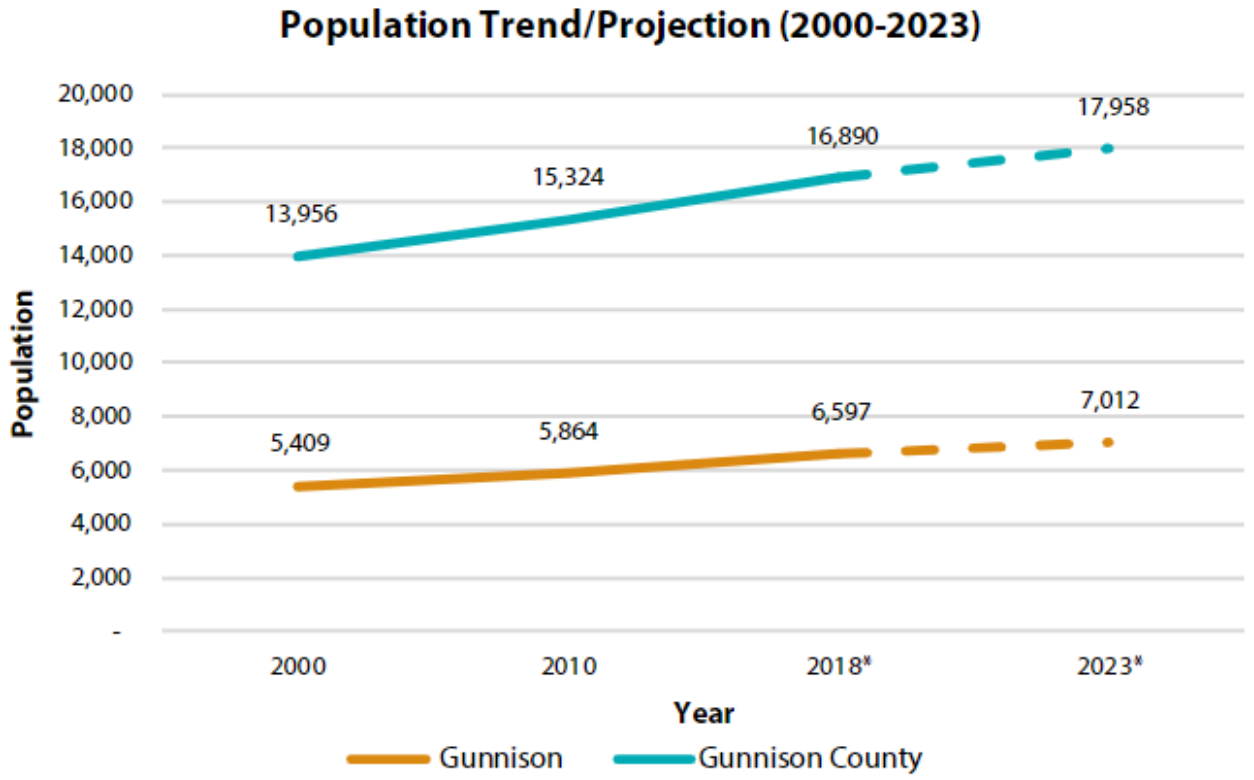
The U.S. Census and State of Colorado Demographer's office have reported on population and demographic projections, along with economic forecasts through 2040. We have included a brief summary of those projections below to help inform the Board. The City's Comprehensive Plan consultant, Houseal Lavigne, also provided some demographic analysis in the "Issues and Opportunities Memo," dated June 2019.

Demographic Summary						
City of Gunnison	**2010**	**2018**	**2023**	**Projected Change (2010-2023)**		**Compound Annual Growth Rate (2018-2023)**
Population	5,864	6,597	7,012	1,148	19.60%	1.23%
Households	2,322	2,530	2,710	388	16.70%	1.38%
Average Household Size	2.2	2.24	2.25	0.05	2.30%	0.09%
Median Age	25.3	27.1	28	2.7	10.70%	0.66%
Median Household Income		$36,263	$37,954	$1,691	4.70%	0.92%

[1, 2] Potential subdivision figures calculated by numeric division of parcels not part of an existing subdivision. These figures do not consider other Subdivision Standards of the Land Use Resolution.

Gunnison County	2010	2018	2023	Projected Change (2010-2023)		Compound Annual Growth Rate (2018-2023)
Population	15,324	16,890	17,958	2,634	17.20%	1.23%
Households	6,516	7,024	7,489	973	14.90%	1.29%
Average Household Size	2.22	2.25	2.26	0.04	1.80%	0.09%
Median Age	34.3	36	37.4	3.1	9.00%	0.77%
Median Household Income		$49,406	$50,283	$877	1.80%	0.35%

Source: U.S. Census, Esri Business Analyst, Houseal Lavigne Associates



*Source: U.S. Census; American Community Survey; *Esri Business Analyst; Houseal Lavigne Associates*

CO State Demographer Population Projections							
	July, 2020	July, 2025	July, 2030	July, 2035	July, 2040	July, 2045	July, 2050
Gunnison County	17,450	18,300	19,046	19,759	20,439	20,951	21,387

Average Annual Percent Change (5 year increments)							
	15-20	20-25	25-30	30-35	35-40	40-45	45-50
Gunnison County	1.6%	1.0%	0.8%	0.7%	0.7%	0.5%	0.4%

Source: Colorado State Demographer

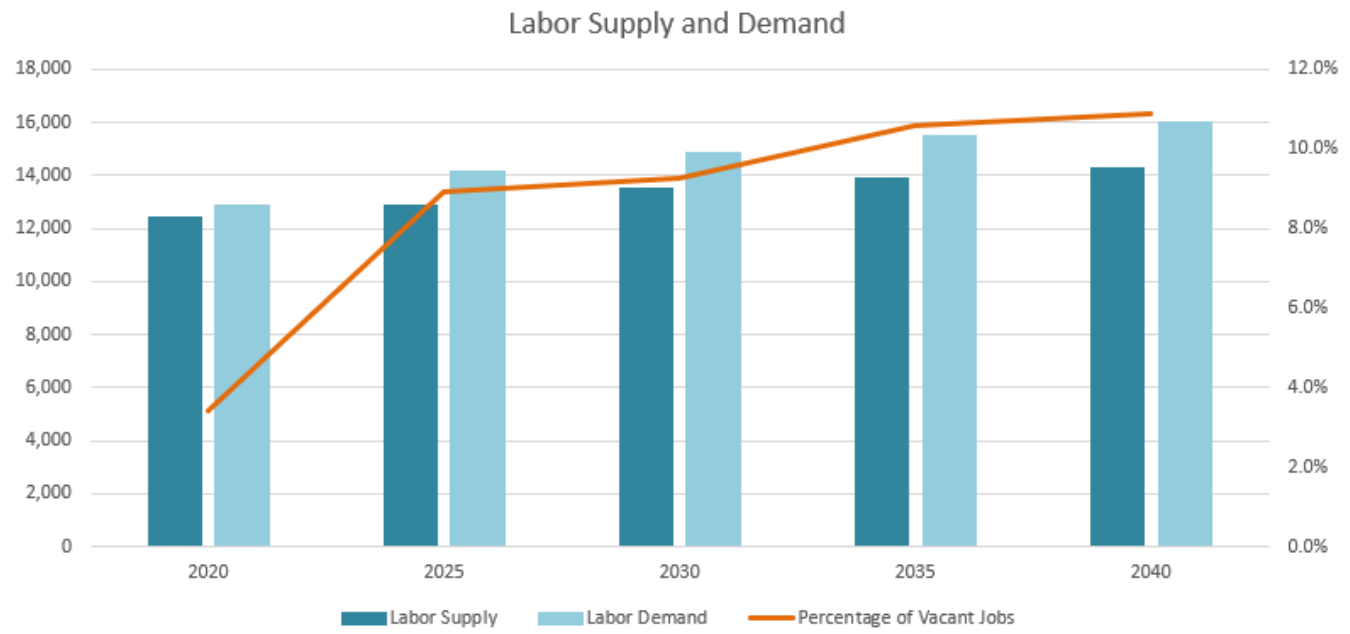
The State of Colorado Demographer's office also projects labor force supply and demand. The data projections are at

the County level and are not specific to municipalities. The total jobs will increase through 2040 but the annual rate of increase declines each year through 2040.

Gunnison County Labor Force Supply & Demand							
Labor Demand	**Year**	**2019**	**2020**	**2025**	**2030**	**2035**	**2040**
	Total Civilian Jobs	12,602	12,886	14,163	14,889	15,530	16,022
	Annual % Change	n/a	2.3%	9.9%	5.1%	4.3%	3.2%
Labor Supply	**Total Civilian Jobs Held**	12,380	12,447	12,897	13,508	13,887	14,276
	Annual % Change	n/a	2.1%	0.5%	1.1%	0.9%	0.8%
Supply vs. Demand	**Number of Vacant Jobs**	222	439	1267	1381	1643	1746
	Percentage of Vacant Jobs	1.8%	3.4%	8.9%	9.3%	10.6%	10.9%

Source: Colorado State Demographer

The Labor Force (i.e. adults of working age) participation rate averaged 74% through all forecast years. Of those employees, an average of 13% hold multiple jobs. The balance of the jobs not held by residents are assumed to be employed by residents of other counties, commuters represent an average of 4.8% of jobs held through the forecast year. The overall labor demand is expected to grow while labor supply growth will lag behind, and vacant jobs will increase from 211 or 1.8% of total jobs to 1,726 vacant jobs or nearly 11% job vacancy rate in 2040. The number of jobs will continue to outpace the labor supply—creating a labor shortage.



Staff Analysis and Recommendations

Staff recommends review of Place Value: How Communities Attract, Grow and Keep Jobs and Talent in the Rocky Mountain West prepared by Community Builders. The report states:

> *"Results of this study, based on a survey of nearly 1,000 employers and community members in Colorado, Idaho, Montana and Wyoming, indicate that building a strong and resilient economy is tied to creating a great community where people want to live and work. Both business owners and community members overwhelmingly prioritize community quality above and beyond other relevant factors, like employment opportunities, salary or business climate, when choosing a place to live or start a business. People are attracted to great places with a variety of neighborhoods, amenities, and transportation choices. In the Rocky Mountain region, people are willing to accept a lower salary in order to live in a community that offers these qualities. However, affordability is an issue, and business owners and community members report that there is not enough housing in many Rocky Mountain communities to meet the needs of people with a diversity of income levels.*
>
> *Other key findings include:*
>
> 1. *JOBS FOLLOW PEOPLE. The majority of business owners (70 percent) established their residence in a community first, and then decided to start a business at a later date. Less than one-third of business owners moved to a community with the purpose of opening a business.*
> 2. *COMMUNITY QUALITY IS A TOP PRIORITY FOR BUSINESSES AND RESIDENTS. In selecting a location to live, the most highly considered factor for business owners and community members was the overall quality of the community, with a score of 4.5 out of 5. Seventy percent of business owners responding to our survey indicated community character was "extremely important."*
> 3. *BEING IN A PLACE THAT CAN ATTRACT TALENTED EMPLOYEES IS IMPORTANT TO GROWING BUSINESSES. Sixty-eight percent of business owners with unfilled positions said that the ability to attract or retain talented employees was an important factor in choosing their business location.*
> 4. *PEOPLE ON THE MOVE ARE LOOKING FOR GREAT PLACES. When making relocation decisions, people consider both the quality of the community and job opportunities. Most respondents (44 percent) felt that a job and the community are equally important factors in relocation decisions. Only 17 percent of respondents indicated job opportunities as the most important consideration.*
> 5. *PEOPLE ARE WILLING TO SACRIFICE SALARY FOR THE IDEAL COMMUNITY. Eighty-three percent of respondents favored "living in an ideal community with a lesser salary" over "living in a community that's less than ideal with a high salary." Safety, open space and trails, access to recreation, neighborhood character, and short commute times are all highly rated factors for people deciding where to live.*
> 6. *HOUSING COSTS ARE A CONCERN FOR BUSINESSES AND EMPLOYEES. Sixty-eight percent of community respondents felt there are not enough housing options for a range of incomes in their community. This issue matters to businesses too: 60 percent of business owners felt that housing costs had some impact on the ability to attract employees; the number jumps to 76 percent for those that are hiring."*

Staff recommends the following for consideration by the Board of County Commissioners:

County and City staff should collaborate on the development of a Three-Mile Plan or area plan. Priority areas for commercial/industrial development growth have been identified by the City in the draft Comprehensive Plan. Priority areas for growth should be currently served or have the ability to be served by central services (water, sewer, electric). Areas adjacent to the City of Gunnison and available for annexation or service of utilities that align with the City's Comprehensive Plan and the community's desire to limit sprawl should be prioritized. New commercial and industrial development should be located in areas with appropriate infrastructure to enable growth and development. New commercial and industrial development could be required to have screening, landscaping, and design form guidelines

in highway corridors to mitigate impacts to view corridors. The development of Gunnison Rising could accommodate additional lots for commercial/industrial uses. The Board may consider opportunities for public-private partnership to develop the remaining lots at Gold Basin Industrial Park. The County should continue to work with ICELab and TAPP staff to identify potential partners for development of Gold Basin.

Incremental development is preferred over large scale development of new industrial parks because it enables greater economic efficiency from a County perspective. Small, incremental investments over a broad area are more financially successful than large scale investments in discrete areas (https://www.strongtowns.org/journal/2017/6/12/the-power-of-growing-incrementally).

The Board should consider supporting projects in targeted, priority areas. For example, a parcel that may be optimal for mixed use development may request support for horizontal infrastructure such as extension of City water services (which could be part of an annexation request). There may be appropriate instances for the County to support grant applications, in-kind work, and/or financing for a project if it aligns with the objectives of the Board, the community values (as identified in the One Valley Prosperity Project), and the City's Comprehensive Plan/Three-Mile Plan. There are few parcels that will have central services (water, sewer, electric) and those may be appropriate for some targeted assistance from local government. Locating new development (residential, commercial, and industrial) in areas that are in or adjacent to municipalities is the most efficient and cost-effective approach.

To support the demand for increased labor over the next twenty years, staff recommends that the Board continue to invest in and support the development of affordable and attainable housing units (both free market and deed restricted). However these housing units should reflect community values and be located in or adjacent to existing municipalities or in areas served by central services. People to fulfill the labor demand are attracted to communities because of their place value: safety and overall quality of community, welcoming community, quality schools, outdoor recreation, natural beauty, housing costs, neighborhood character, short commutes, and overall quality of life (Place Value Report, Community Builders).

Staff also recommends working with the ICELab and TAPP to continue developing opportunities for workforce development. Building the skills and capacity of residents to support the labor demand of existing and new businesses in the County is one key to the sustainability and success of business.

Development criteria for residential development in the three mile plan area should be considered. The City has identified areas for growth including north Gunnison (city boundary to Gunnison River); west of Gunnison and south of Highway 50 in Dos Rios general area; east of Gunnison to Tomichi Tire (as Gunnison Rising develops). Criteria may include: streets master planning to enable grid connections; central sewer availability; density compatible with City standards; multi-modal connections (bus stops, sidewalks, bike lanes); demonstration of need/demand for units; street frontage; setbacks that align with City standards. Projects demonstrate that the proposed development is needed to accommodate housing, employment opportunities, and/or public facilities and whether such need can already be accommodated on land in City or already platted areas. The costs of services and infrastructure outside of municipalities is significantly higher for the County and the taxpayers.

The Board may consider changes to subdivision policy outside of three-mile area particularly in the Highway 135 corridor. The Board may wish to consider a special geographic area in corridor areas of Highway 135 and possible Highway 50 that reflects the values of the community including preservation of agricultural lands, open space, limitation of sprawl and investment in sustaining and growing vibrant, resilient communities.

The County has already adopted the Ranchland Initiative process which is intended to facilitate the conservation of agricultural land while allowing a landowner to engage in a streamlined, low-cost development process. This process has not been utilized in the past ten years however staff believes that it can be better communicated to eligible applicants.

Staff recommends that the Board continue to support the 2019 policy direction regarding development of new commercial and industrial uses—this direction supports the intent of the Gunnison County Land Use Resolution, the community values defined in the One Valley Prosperity Project, and the City of Gunnison Comprehensive Plan.

Industrial Property Analysis prepared by Erich Ferchau, Remax, January 10, 2020.

The single greatest influence on commercial and industrial property in the past 3 years is the marijuana industry. Despite the number of existing grow, retail and extraction businesses, there continues to be interest in new facilities.

Scalability of industrial buildings does not appear to be an issue. Small scale facilities (1,000 to 5,000 square feet) can generally fit on 1-3 city lots.

Industrial park East of Gunnison has been on the market for 2 years, 12 lots, 3 sales (EC Electric, Taramarcaz Golden Eagle Trash, Marijuana grow).

Primary needs for industrial are: water, sewer and 3 phase power. Well and septic are limiting factors to some uses.

Gunnison Rising "Maker's District" appears to be similar to the smaller industrial parcels and current plans appear to have quite an offering…tbd.

Preferences: in town or north of town

Recent demand:

1. Marijuana – still looking
2. Winery – found a home
3. Meat Processing – Purchased 5 lots in town $200k w/trailer
4. Storage Units – always inquiries about this use

Larger, existing parcels in town:

1. Milski, 8 lots asking $525k ($65,625 per lot)
2. Jack David, Lots 1-13 and 19-26, 20 lots (price tbd)
3. W Mountain Construction, 5 lots (not selling)
4. Ruby Construction, 7 lots (unknown)
5. Plots, 6 lots (unknown)
6. Haus, 6 lots (unknown)
7. Heuett, 6 lots plus 21 feet (unknown)

Recent acquisitions:

1. Trough restaurant – $360k, major renovation, converted to commercial / industrial
2. Dos Rios restaurant – $250k, church
3. 1.2 acres VanTuyl – Atmos, $600k
4. 4.23 acres Cosentino – Speculation, $2.685 million (over value for market, 1031 exchange or OZ)
5. 4.48 acres North, County – Storage Units / mixed use, $450k, 2017
6. 7.2 acres North, County, from Pike – $455,000 expansion of Storage Units
7. 6.9 acres East from Tomichi Tire, County, asking $400k and under contract
8. 5 industrial lots on Rio Grande, sold $200,000 included a trailer and taps.

Conclusions:

This is a snapshot of data.

1. A lot of construction companies and service providers would appreciate having a small lot to store vehicles, overstock materials, tools, etc. They generally rent storage units in town.
2. Local consumers cannot afford land prices like certain other buyers, specifically the local government (County – Lacey purchase, City – Lazy K purchase, Hospital – VanTuyl lots, WCU Newman Building), franchised businesses (Dollar tree building, Arby's lot), and marijuana industry (Mountain Mutts building on N. Main, etc.).
3. The general market appealing to the local consumer is based on local economy and a need to financially justify a purchase.
4. Desired location for industrial sites appears to be within 1-2 miles of the city limits, or in the city.