

## How can a Tourism Support Fee facilitate Economic Diversification in Clear Creek County?

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- Based on a 1% tax rate, a tourism support fee can potentially generate over \$1 million in annual tax revenue.
- To foster economic diversification, we recommend that Clear Creek County establish a loan fund from a tourism support fee to encourage entrepreneurship.
- Clear Creek County’s natural amenities have the potential to attract highly skilled remote workers. However, it is crucial for the county to address rising housing costs.

### Introduction

The property tax revenue of Clear Creek County has experienced a significant decline of 47.3% between 2013 and 2022 due to the waning of the Henderson Mine.<sup>i</sup> This decline is expected to have a negative multiplier effect on the local economy and have a ripple effect on the local job market.<sup>ii</sup> Consequently, Clear Creek County may be compelled to reduce public sector jobs and curtail public services in the near future.<sup>iii</sup>

Meanwhile, Clear Creek County’s economy has become more specialized over time compared to the rest of the state of Colorado. The county’s coefficient of specialization has increased from 0.436 in 2001 to 0.501 in 2019 (a 14.9% increase).<sup>iv</sup> Lack of economic diversification imposes long-term challenges to the sustainable development of Clear Creek County’s economy.

The author collaborated with the CSU Extension Summer Internship committee, the Clear Creek County Commissioners, and local stakeholders to assess the prospective implications of collecting a 1-2.5% tourism sales tax, broadly understood in this brief as Tourism Support Fee. Our analysis reveals that a tourism support fee could potentially generate more than \$1 million in annual tax revenue, create more jobs, and provide development resources to foster entrepreneurship and economic diversification.

### Estimate of Tourism Support Fee

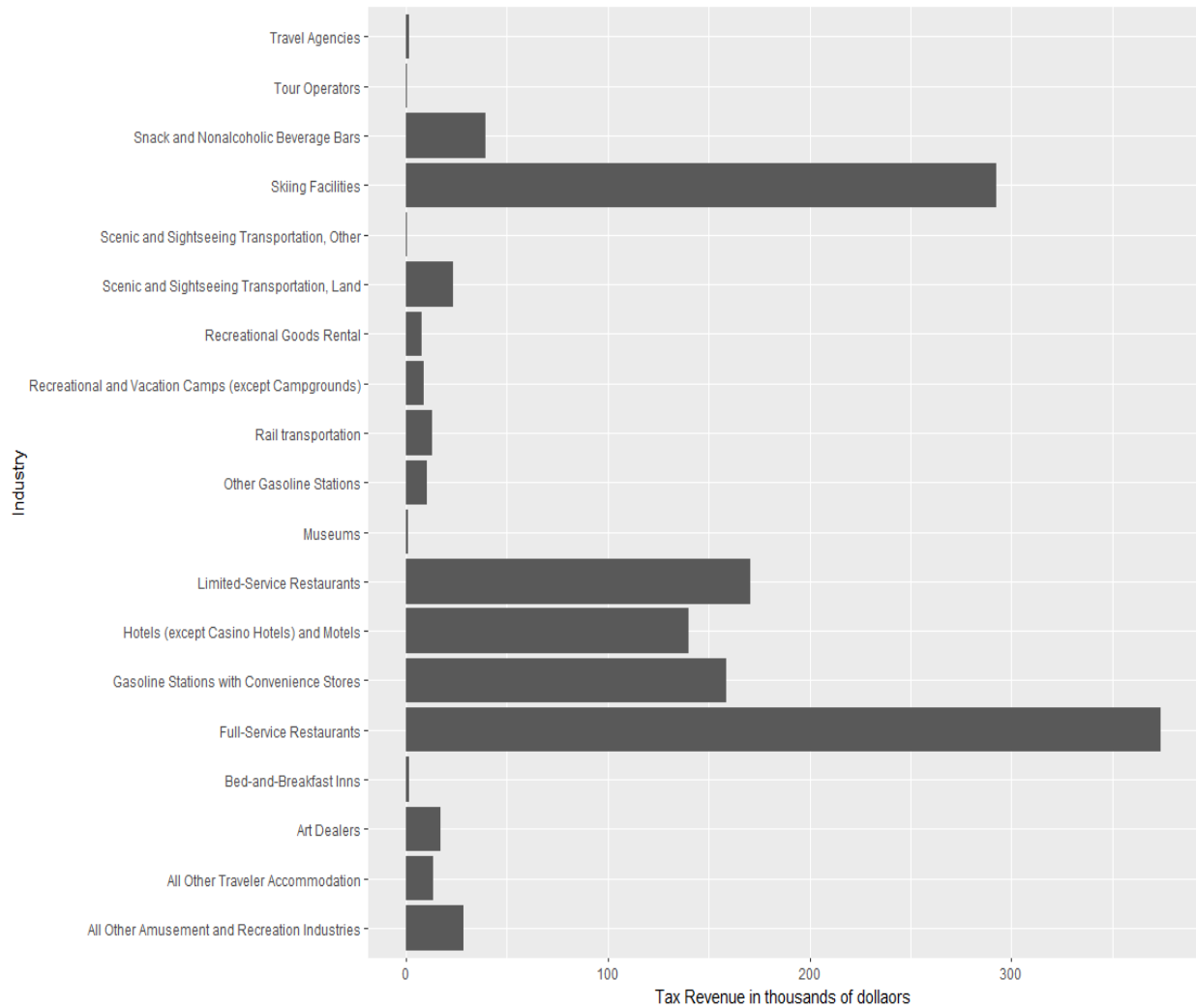
We employed various methods to estimate the lower and upper bounds of a tourism support fee. Preliminary analysis utilized I-70 traffic data. Based on a preliminary model of 1% tax rate, \$25 expenditure per vehicle and a conservative estimate of 10% stop-by rate, I-70 commuters could conservatively contribute approximately \$330,325 in tax revenue from a tourism support fee based on the past five-year average of vehicle traffic.

We then took a more nuanced approach utilizing tourism sales data from Lightcast (Figure 1). To check our methods of estimation, we also consulted with local economic professionals and census data. Our model includes all Clear Creek County destinations, incorporates local resident expenditures, and accounts for all tourism-related activities such as camping and skiing. Based on a 1% tax rate, we estimate that the upper boundary of the tourism support fee would be \$1,303,791. Furthermore, as shown by Figure 1 , the Top 5 tourism industries (by sales) contribute \$1.13 million in tax revenue, or 87% of the total tourism support fee.

### Opportunities and Challenges for Economic Diversification

There are various considerations for the implementation and use of tourism support fee monies. Firstly, the tourism support fee is often regarded as a low-hanging fruit. It not only generates more than \$1 million in annual tax revenue but can also lead to job creation and talent retention. Additionally, Clear Creek County can draw lessons from the blueprints of neighboring counties such as Lake, Chaffee, and Routt. However, it is important to note that a high tourism support fee may have unintended consequences, such as discouraging travelers from stopping in Clear Creek. Lastly, it is crucial to recognize that the tourism support fee alone cannot fully compensate for the loss of mining tax revenues.

Figure 1: Breakdown of Tourism Support Fee by Industry<sup>v</sup>



To foster economic diversification by leveraging the tourism support fee, we recommend that Clear Creek County establish a revolving loan fund to encourage entrepreneurship. Non-employers are businesses that are self-owned and do not have paid employees. According to a recent REDI Economic Indicator Report for Clear Creek County, self-owned businesses in the Professional & Tech Services, Construction, Retail Trade, and Arts, Entertainment & Recreation sectors are more concentrated and experiencing faster growth than the rest of the state.<sup>vi</sup> Small business could benefit from a dedicated loan fund to expand their operations and hire more workers.

Clear Creek County is often lauded for its proximity to Denver, abundant outdoor recreation, and a business-friendly environment, which also makes it an attractive destination to accommodate highly skilled remote workers.<sup>vii</sup> However, the mountain region’s potential for job growth is hampered by a growing housing deficit and declining affordability.<sup>viii</sup> For instance, the average home price in Idaho Springs has surged by 66% since 2019, while local household income has not kept pace with these soaring prices.<sup>ix</sup> Furthermore, more than half of property owners prefer to rent their homes to affluent travelers and remote workers, draining resources available for local employee housing.<sup>x</sup> To fully take advantage of a potential influx of highly skilled remote workers, Clear Creek County must address the lack of affordable housing for local residents and consider strengthening regulations pertaining to short-term rentals.

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- <sup>i</sup> Calculated by the author, raw data is gathered from the *Annual Comprehensive Financial Report of Clear Creek County*: <https://clearcreekcounty.us/ArchiveCenter/ViewFile/Item/2176>
- <sup>ii</sup> *REDI report on Clear Creek County* by Alex Chavez, available at <https://csuredi.org/wp-content/uploads/2022/01/Clear-Creek-1-Prstn.pdf>
- <sup>iii</sup> Based on the author's interview with Clear Creek County Commissioners.
- <sup>iv</sup> *REDI@CSU Economic Indicator Report for Clear Creek County* by Gregory R. Miller.
- <sup>v</sup> The author thanks the support from Clear Creek County Commissioners to provide access to Lightcast: <https://lightcast.io/>
- <sup>vi</sup> *REDI@CSU Economic Indicator Report for Clear Creek County* by Gregory R. Miller.
- <sup>vii</sup> *CLEAR CREEK COUNTY MINI BLUEPRINT 2.0* by The Colorado Office of Economic Development and International Trade, published on June 27, 2016: <https://www.co.clear-creek.co.us/DocumentCenter/View/8819/2016-Clear-Creek-Report>
- <sup>viii</sup> *Colorado Springs Housing Affordability Report* by Common Sense Institute: [https://commonsenseinstituteco.org/wp-content/uploads/2023/02/CSI\\_HOUSING\\_REPORT\\_COLORADO\\_SPRINGS\\_FEB\\_2023\\_FINAL.pdf](https://commonsenseinstituteco.org/wp-content/uploads/2023/02/CSI_HOUSING_REPORT_COLORADO_SPRINGS_FEB_2023_FINAL.pdf)
- <sup>ix</sup> "Can Affluence and Affordable Housing Coexist in Colorado's Rockies?" by Talmon Joseph Smith on New York Times: <https://www.nytimes.com/2023/08/17/business/economy/colorado-rocky-mountain-housing.html>
- <sup>x</sup> *Clear Creek County housing strategy*: <https://www.clearcreekcounty.us/DocumentCenter/View/12932/Clear-Creek-County-2022-Housing-Strategy-Report>