

RIDGWAY, CO

MARKET STUDY AND OPPORTUNITY ASSESSMENT

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RPI Consulting LLC
Durango, Colorado



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INTRODUCTION

The purpose of this report is to analyze Ridgway's existing market capture and opportunities for the Town of Ridgway to capture more local, regional and visitor spending. This market assessment is part of a larger project that aims to identify what businesses are currently operating in Ridgway, identify commercial opportunities (market analysis) and connect commercial opportunities to physical realities (building, business and property inventory). In addition to evaluating retail, food and drink spending, this market analysis evaluates the professional services sector.

This market assessment defines Ridgway's market area, determines retail shopping patterns and examines existing strengths and weaknesses of the retail, food and drink, entertainment and professional sectors. The goal of this report is to highlight opportunities to ensure that Ridgway has a healthy mix of appropriate businesses. The final section of this report contains strategies and recommendations that will encourage and support pragmatic and efficient growth.

DATA SOURCES

The Ridgway market analysis relies on data compiled by ESRI, an industry leader specializing in mapping and data analytics. Analysts used ESRI's Business Analyst Online (BAO) tool to gather and analyze economic data about the Town of Ridgway and Ouray County. BAO provides baseline data for custom site evaluation and market analysis. Utilizing extensive demographic, consumer-spending, and business data, BAO provides detailed information and insights about consumers, their lifestyles and buying behavior, and businesses in the market area. The town of Ridgway provided lodging and sales tax data. Census on the Map provided employment data and the Ouray County Assessor database was the primary data source for the commercial land use inventory.

The business and building inventory combines business information (business name, type, owner, contact info etc.) with property and building data from the Ouray County Assessor (building footprint, heated square footage, year built, condition, use classification, assessed value, sale date etc.). The business and building inventory also includes the results of an in-person business survey conducted in May 2017. The inventory provides important information that informs the market analysis.

EXISTING CONDITIONS AND MARKET CAPTURE

This analysis uses the Town of Ridgway and Ouray County boundaries for the retail leakage report. While downtown Ridgway has the largest concentration of businesses, there are two other areas in town with a concentration of businesses, along Highway 550 and in



the light industrial park. There are also a number of home-businesses interspersed throughout the town.

Consultants conducted a retail leakage analysis for the entire town and for Ouray County to determine which retail sectors are exhibiting leakage and which sectors are exhibiting surpluses. Below are the definitions of key terminology for understanding this market study:

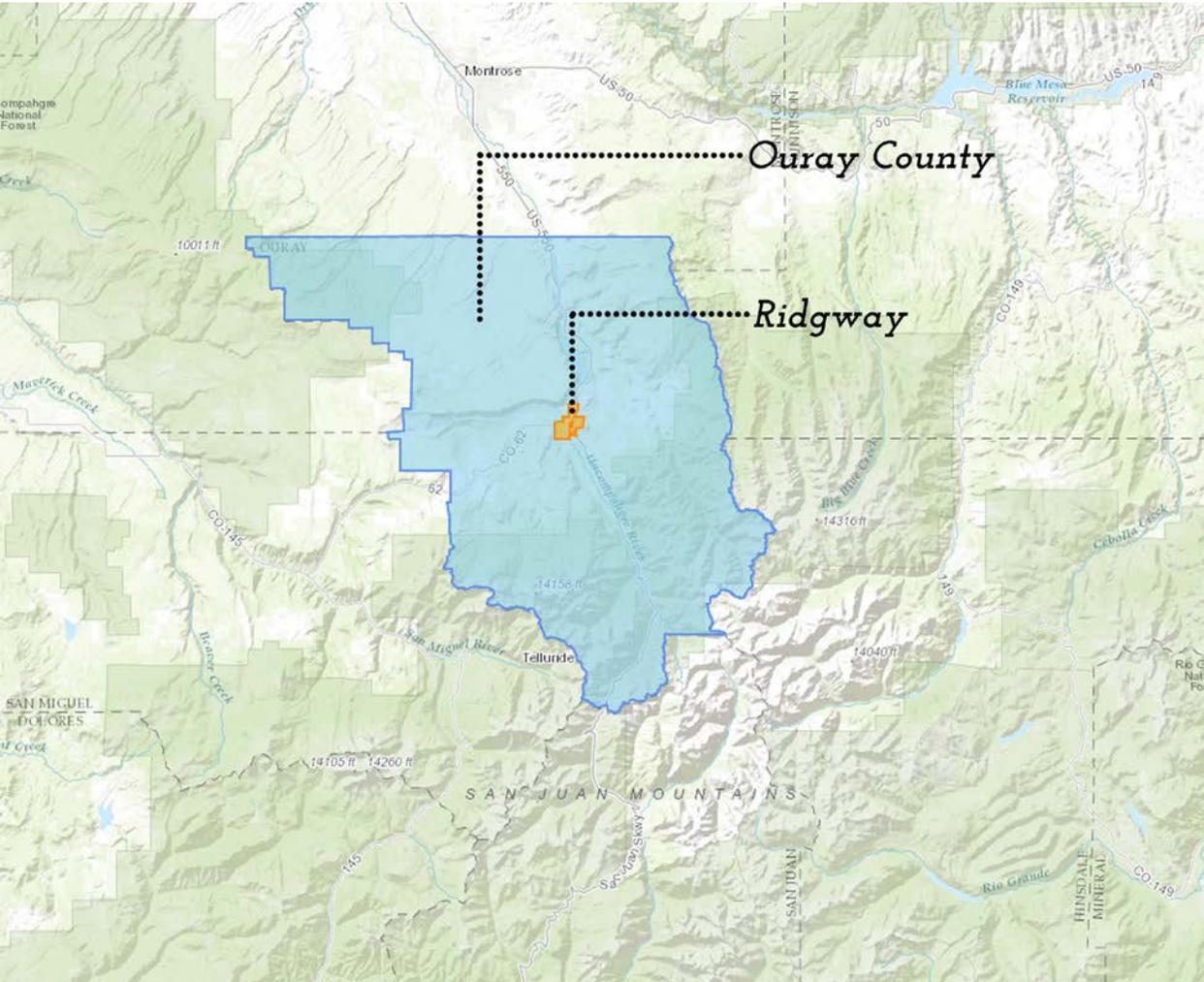
Demand – The amount of demand for retail products (in dollars) generated by Town of Ridgway residents.

Total Sales – The amount of retail sales captured by business establishments in the Town of Ridgway.

Surplus – The amount of sales occurring in the Town of Ridgway beyond sales to Ridgway residents. A surplus indicates regional residents and visitors spending money in the Town of Ridgway.

Leakage – Town of Ridgway residents are spending elsewhere. Retailers outside the Town of Ridgway are fulfilling the demand for retail products generated by residents in the town; therefore, demand is leaking out of the trade area. From an economic development perspective leakage represents an opportunity to capture sales locally that are currently being met by other communities or by online retailers.

FIGURE 1 – RIDGWAY AND OURAY COUNTY BOUNDARIES



Source: ESRI BAO

The Town of Ridgway has an estimated population of 990 people. Ouray County has an estimated population of 4,532. This analysis looks at the demand and supply of these two market areas.

FIGURE 2 – POPULATION

Geography	Population
Town of Ridgway	990
Ouray County	4,532

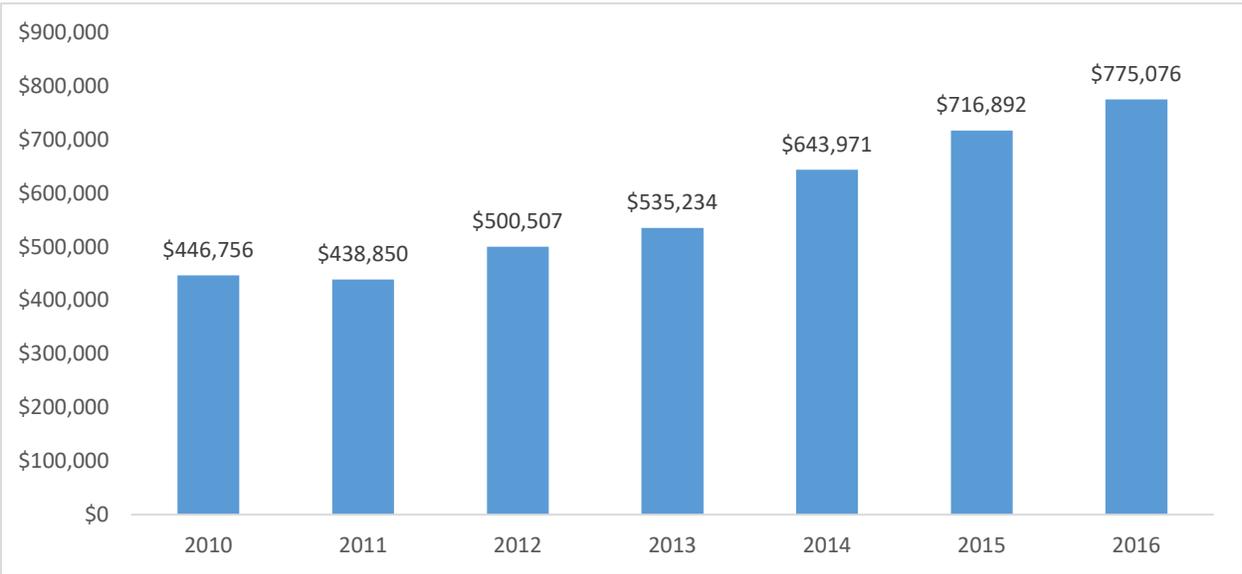
Source: ESRI BAO

Annual Tax Collection

Ridgway sales tax revenues have increased over the last six years from \$446,756 in 2010 to \$775,076 in 2016, over a 70% increase. The Great Recession hit Colorado towns hard, and Ridgway was no exception. This steady increase in sales tax revenues shows Ridgway has a healthy economy that has recovered from the Great Recession and continues to grow.



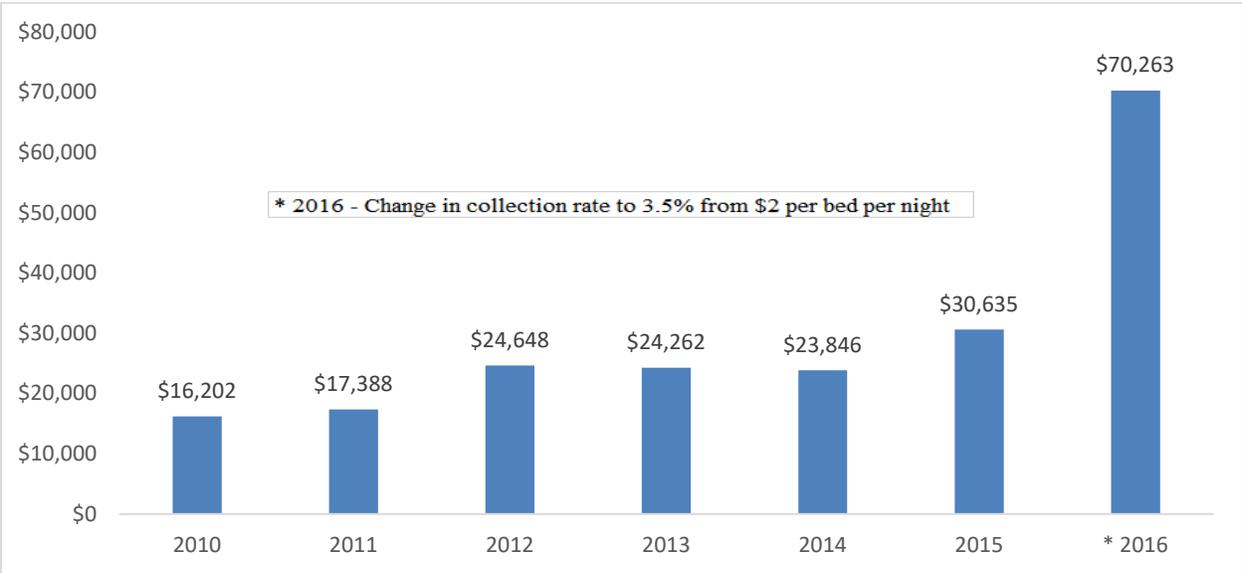
FIGURE 3 – ANNUAL SALES TAX COLLECTIONS 2010-2016



Source: Town of Ridgway

The total number of overnight stays in Ridgway also increased steadily between 2010 and 2015. In total, lodging establishments in Ridgway rented 8,101 beds in 2010, by 2015 the number of beds rented nearly doubled to 15,318. Until 2016, Ridgway collected lodging taxes by charging \$2 per bed per night, in 2016 the collection method changed from a per bed basis to 3.5% of the cost to stay. This steady increase in lodging tax indicates Ridgway’s growing popularity as an overnight visitor destination.

FIGURE 4 – ANNUAL LODGING TAX COLLECTIONS 2010-2016



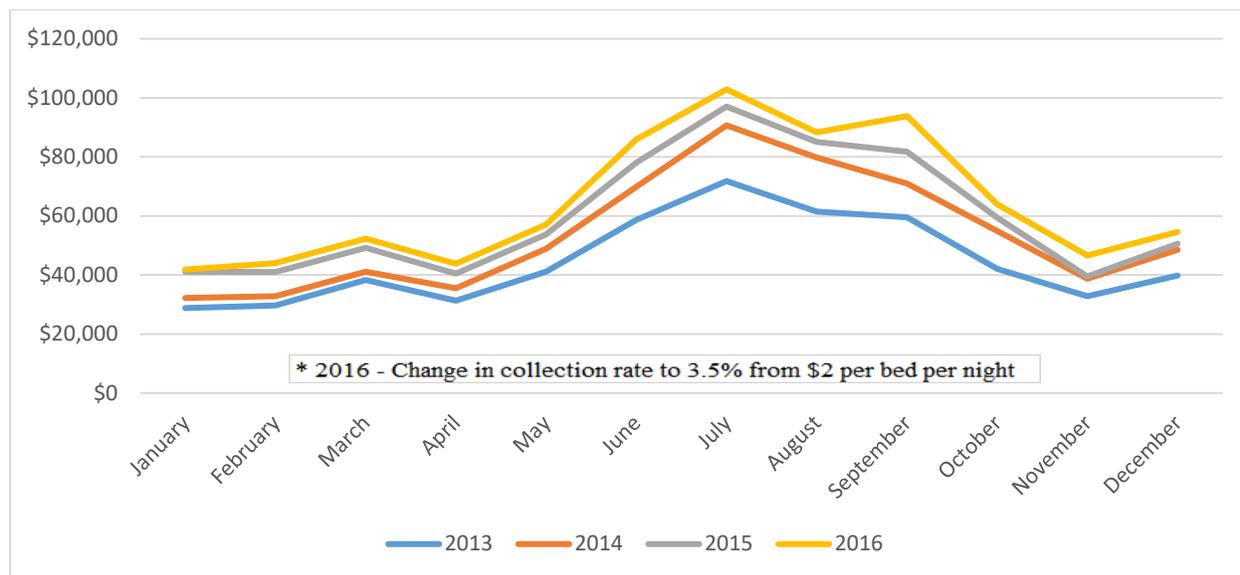
Source: Town of Ridgway

Measuring Seasonality



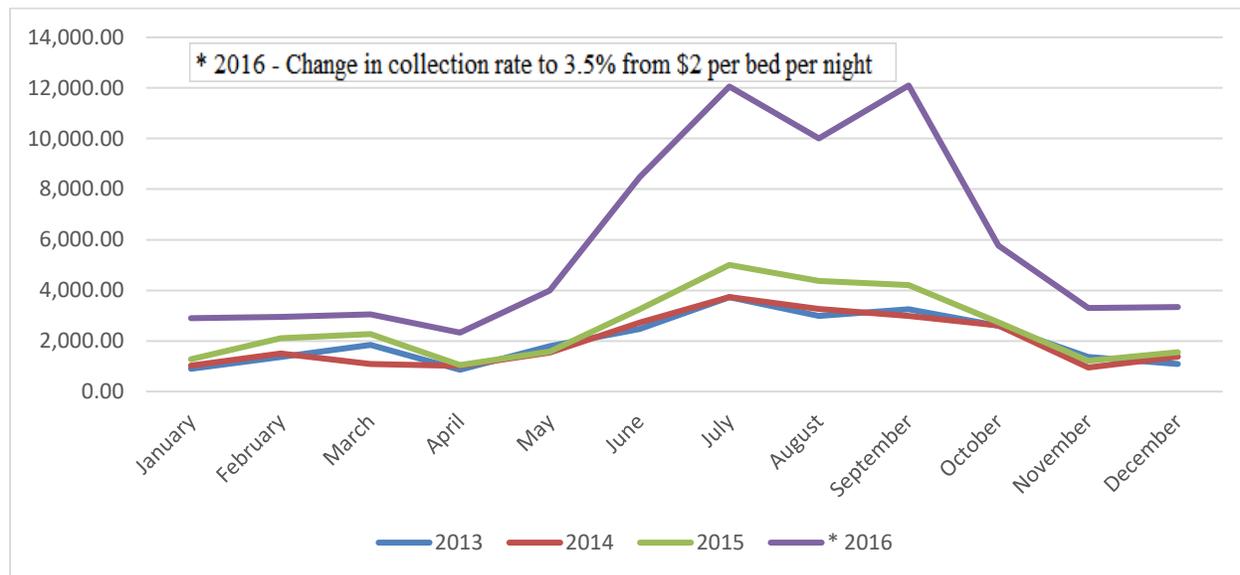
Monthly lodging and sales tax revenues are good indicators of the seasonality associated with tourism and visitation to Ridgway. Both sales tax and lodging tax records from 2013-2016 consistently show July and September as the busiest months with a moderate peak in December leading up to the holidays.

FIGURE 5 – MONTHLY SALES TAX COLLECTIONS 2013-2016



Source: Town of Ridgway

FIGURE 6 – MONTHLY LODGING TAX COLLECTIONS 2013-2016



Source: Town of Ridgway

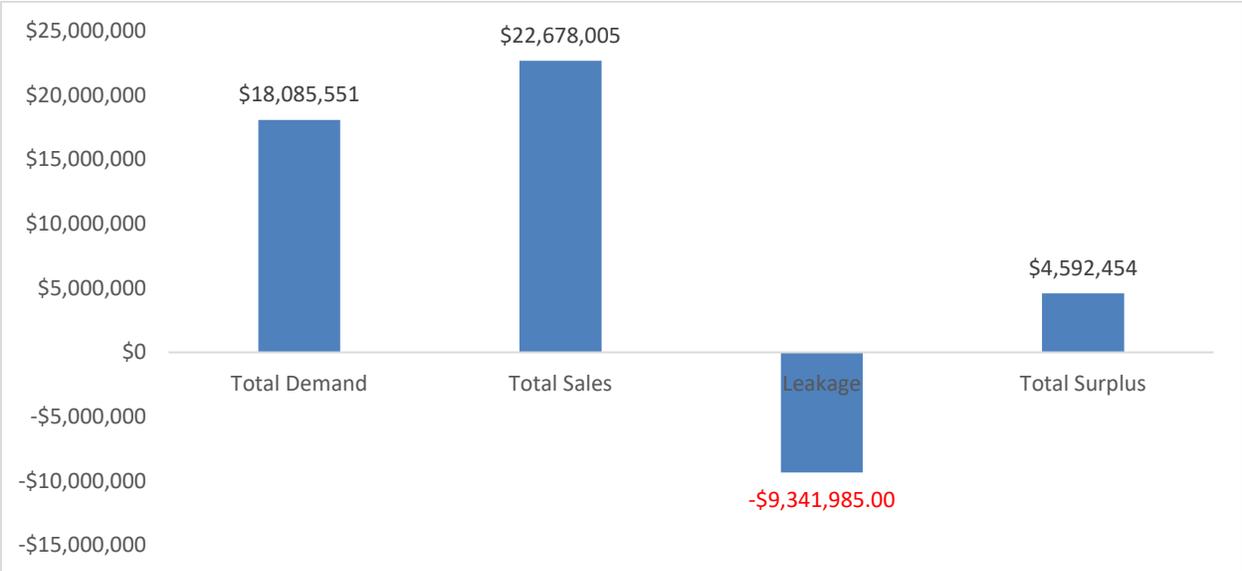


RETAIL SECTOR

Retail demand generated by Town of Ridgway residents totals over \$18 million per year. Looked at in aggregate, total sales are higher than the demand generated by town residents with total sales of \$22.6 million per year resulting in a surplus of \$4.59 million. This surplus indicates regional residents, passers through, and tourists are visiting the town to make purchases.

Despite this aggregate surplus, town residents travel outside of Ridgway, or shop online to purchase some goods, generating \$9.3 million in retail leakage. This is due to the fact that, on a per sector basis, each individual retail category has either leakage or a surplus. For example, grocery stores generate \$1.6 million in leakage and clothing stores generate \$231,900 in leakage while restaurants and eating establishments generate a \$3.4 million surplus. This leakage represents a significant opportunity for the town to further develop its retail base. It should be noted that retail categories with small surpluses also present an opportunity to expand because of the town’s status as a tourist destination.

FIGURE 7 – RIDGWAY TOTAL SUPPLY AND DEMAND

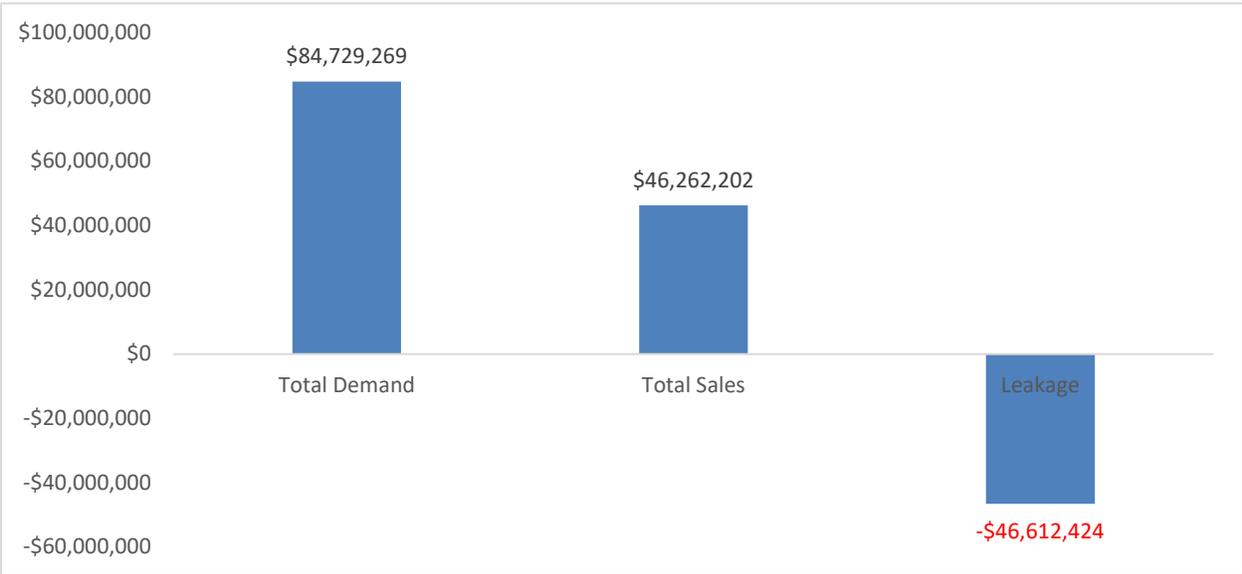


Source: ESRI BAO

Ouray County generates \$84.7 million in retail demand per year. Looked at in aggregate, total sales are lower than the total demand generated by county residents resulting in \$46.6 million in leakage. It is important to note that while this aggregate view shows significant overall leakage, on a per category level, there are some retail, food and drink surpluses.



FIGURE 8 – OURAY COUNTY SUPPLY AND DEMAND



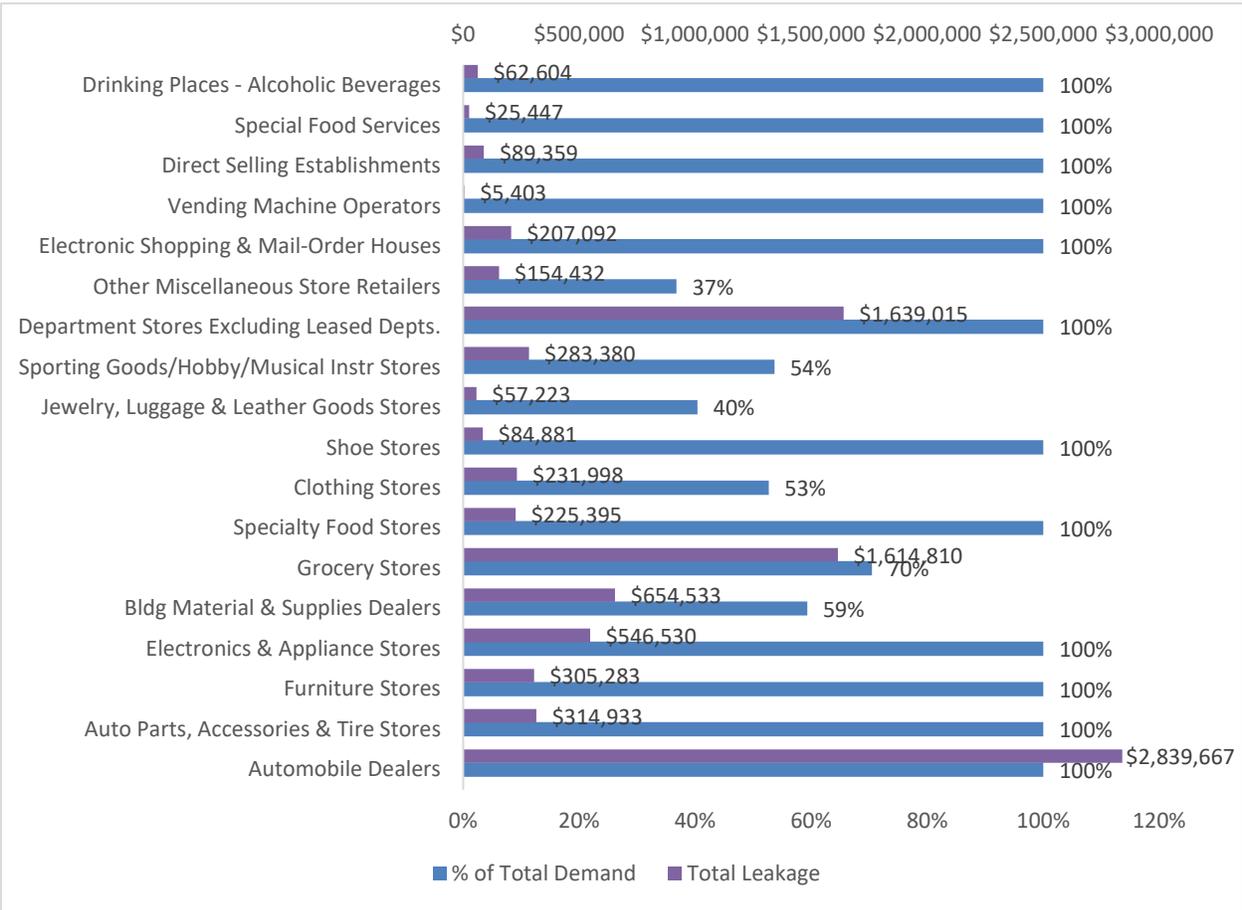
Source: ESRI BAO

Retail, Food and Drink Leakage

Figure 9 shows retail categories that contribute to the \$9.3 million in retail leakage occurring in the town each year. Fifty-three percent (53%) of Ridgway resident demand for clothing stores is currently unmet by existing clothing retailers in the town, indicating that residents are shopping out of town or online for clothing. Other categories with partially unmet demand include groceries (70%), building materials and supplies (59%), sporting goods/hobby/musical instruments (54%), jewelry, luggage and leather goods (40%), and other miscellaneous store retailers (37%). Twelve retail categories have 100% leakage indicating a complete absence of supply in Ridgway, requiring residents to shop out of town or online. The leakage out of Ridgway and Ouray County occurs mostly in retail sectors offering basic household and personal goods. Some of the sectors exhibiting leakage are not sustainable in Ridgway such as department stores or car dealerships. These will likely continue to have 100% leakage as residents carry on traveling to Montrose and other cities to buy a new car or shop in a department store. However, the sectors that could occupy downtown space include: clothing, shoes, gifts, books, galleries and art/creative stores. These sectors serve residents and visitors making them ideal for downtown.



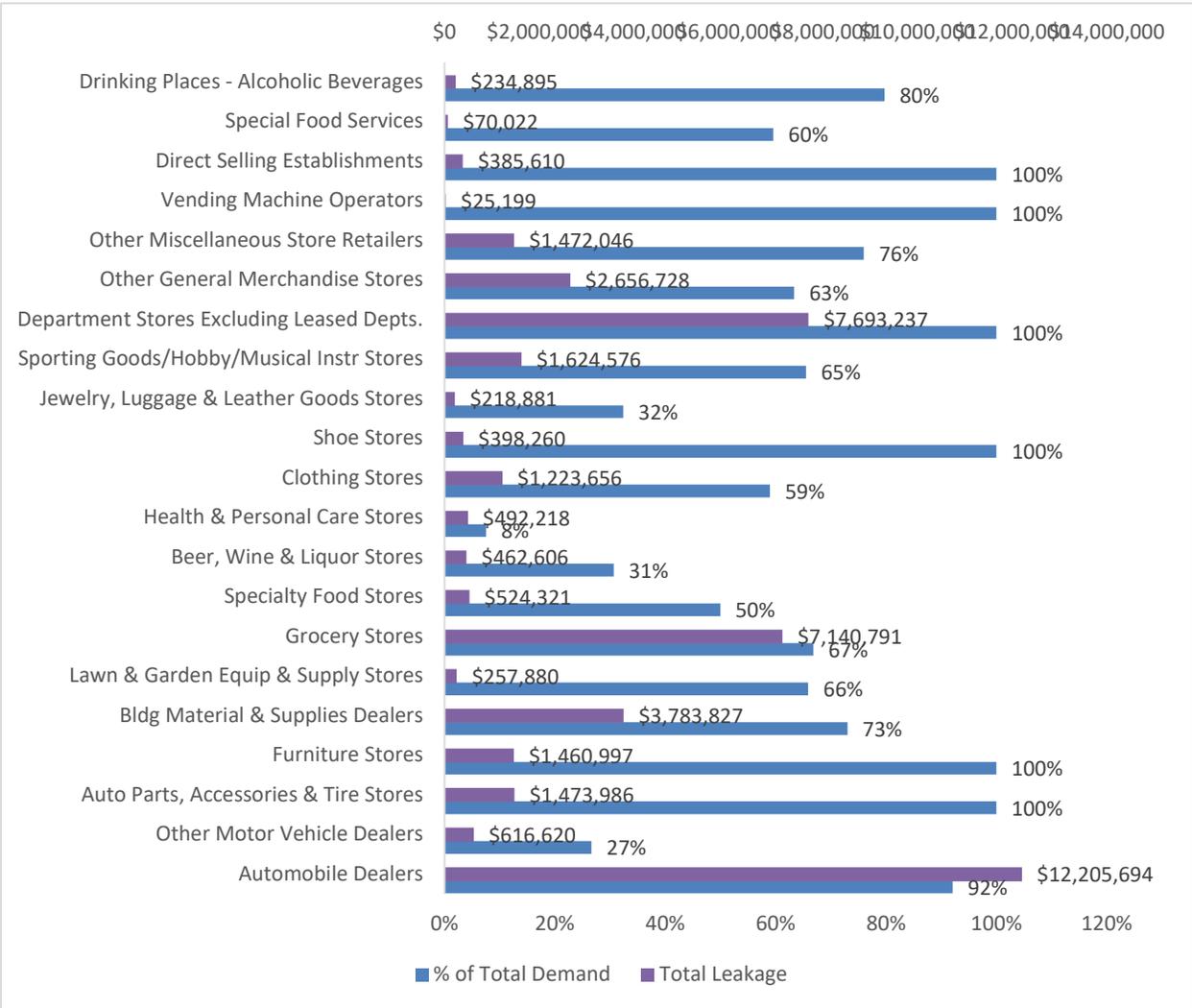
FIGURE 9 – RIDGWAY RETAIL CATEGORIES WITH LEAKAGE



Source: ESRI BAO

Retail categories contributing to the \$46.6 million in retail leakage occurring in Ouray County include many of the same categories as in Ridgway. This indicates residents in the Town of Ridgway and Ouray County are travelling outside of the county to places like Montrose or shopping online for certain retail needs. This presents an opportunity for Ridgway to fulfill the needs of both town and county residents, because leakage in the town and county occurs in the same retail categories.

FIGURE 10 – OURAY RETAIL CATEGORIES WITH LEAKAGE



Source: ESRI BAO

Retail, Food and Drink Surplus

Comparison of retail, dining and drinking demand with existing sales in Ridgway shows the town enjoys a large retail surplus in restaurants and other eating places, gas stations, health and personal care stores, each with a surplus of over \$3.4 million. Home furnishings have a surplus of over \$1 million, making it the fourth largest retail surplus. Other retail categories with slight to moderate surpluses range from \$21,500 (lawn, garden and supply stores) to \$859,000 (other motor vehicle dealers that sell RVs, recreational vehicles and parts, new and used ATVs, motorcycles, etc.).



FIGURE 11 – RIDGWAY RETAIL CATEGORIES WITH A SURPLUS

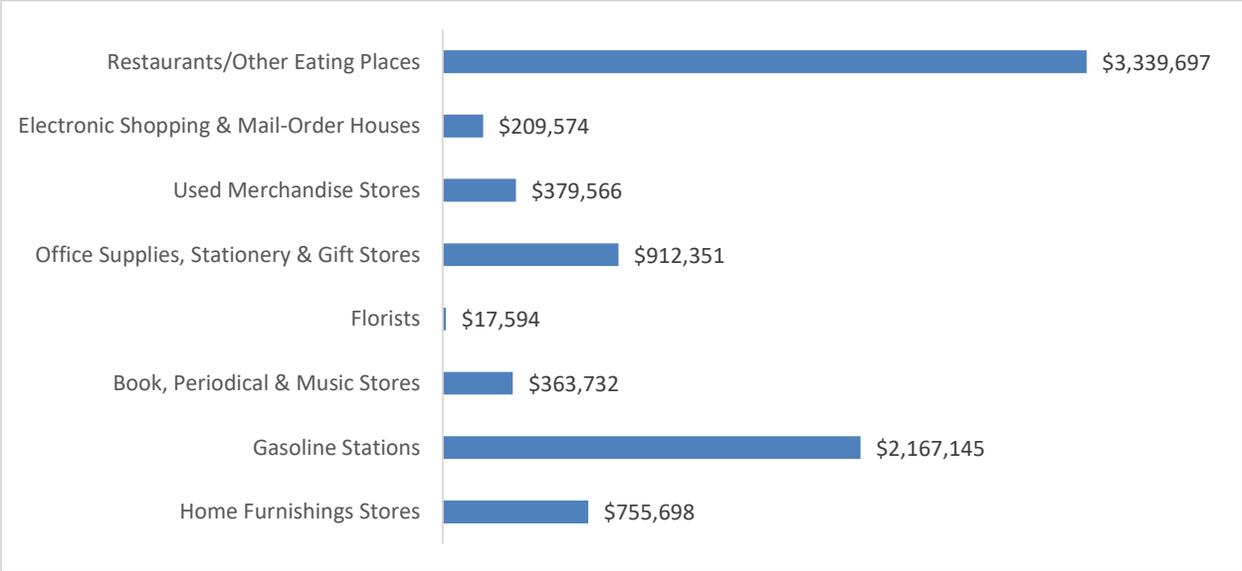


Source: ESRI BAO

Significant surpluses in restaurants and gas stations indicate the importance of the travel and tourism markets in Ridgway. A retail surplus means that residents living outside of the Town of Ridgway are traveling into Ridgway to purchase goods and eat at dining establishments. It also indicates that many of the day-to-day needs of town residents are being met locally. It should be noted that retail categories with surpluses also present an opportunity to expand. If variety in retail and dining options increases, then Ridgway will attract more visitor and regional resident spending.

Ouray County sees many of the same surplus categories as Ridgway. Restaurants and other eating places has a surplus of over \$3.4 million and gasoline stations have a retail surpluses of over \$2.1 million, followed by office supplies, stationary and gifts stores with a \$912,000 surplus. Other categories with slight to moderate surpluses range from \$17,500 (florists) to \$755,000 (home furnishings).

FIGURE 12 – OURAY COUNTY RETAIL CATEGORIES WITH A SURPLUS



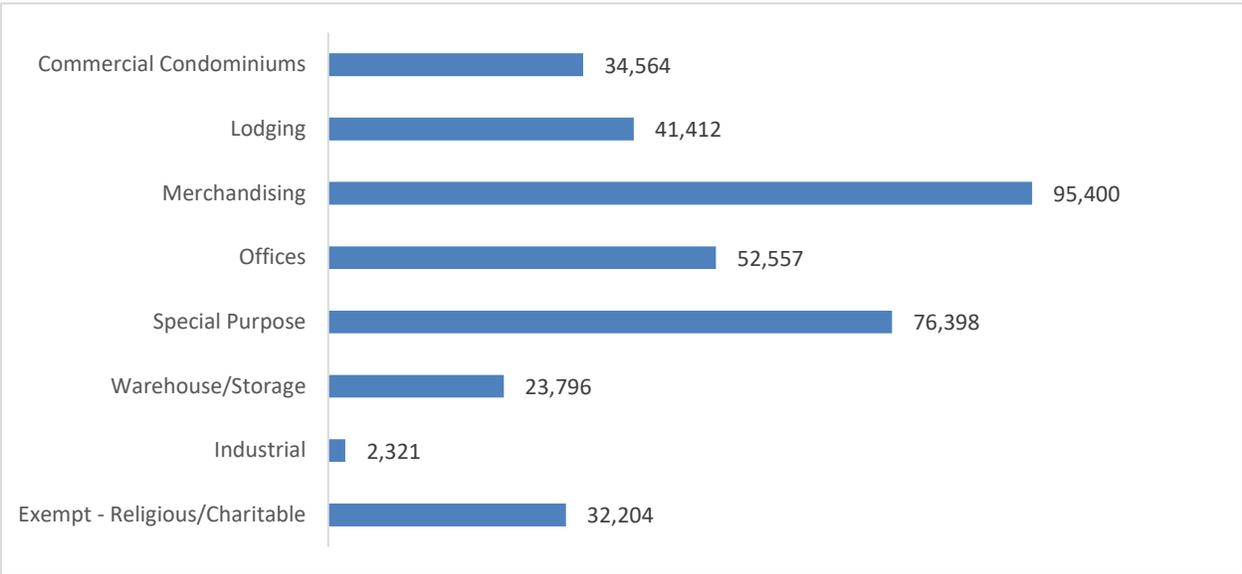
Source: ESRI BAO

LAND USE

Ouray County Assessor data contains information about the use and size of structures throughout the county. This information was summarized specifically for the Town of Ridgway, resulting in a physical inventory of structures measured by heated square footage and the use of each as classified by the assessor.

With 95,400 sq. ft., merchandising is the largest commercial land use in the Ridgway accounting for 27% of all commercial land use. At 21% or 76,398 sq. ft., special purpose is the second largest land use. The special purpose classification includes buildings and structures designed for a specific use that are not easily converted to a secondary purpose such as restaurants, banks, or automotive shops. Offices account for 52,557 sq. ft. or 15% of commercial land use and lodging accounts for 12% of commercial land use. This analysis only looks at land use classified as commercial and does not include square footage of home-based businesses.

FIGURE 13 – TOWN OF RIDGWAY COMMERCIAL LAND USE INVENTORY (SQ FT)

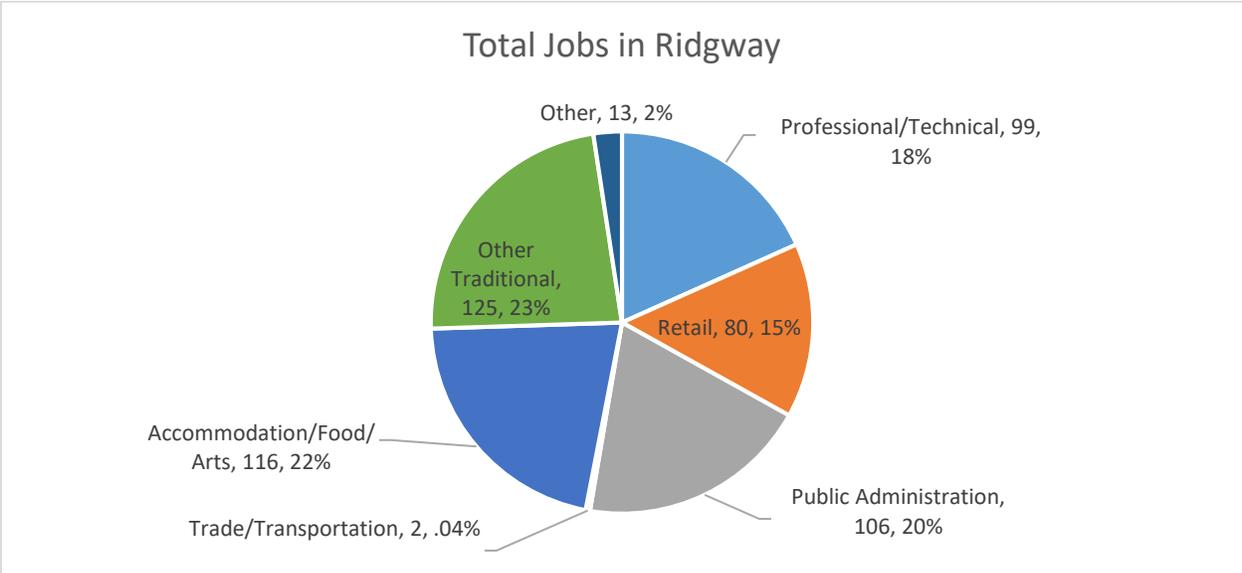


Source: Ouray County Assessor

PROFESSIONAL SECTOR

According to Census on the Map, 38% of all jobs in Ridgway are classified as professional/technical (18%) or public administration (20%). These sectors include lawyers, accountants, insurance agents, real estate brokers, government employees, and health and education workers among others. Based on jobs and land use data, it is clear the professional sector maintains a significant presence in Ridgway.

FIGURE 14 – TOTAL JOBS IN RIDGWAY



Source: Census on the Map, 2017



Professional businesses in Ridgway serve locals and regional residents including Telluride and Ouray. Based on the business inventory, the town has a varied professional business sector including but not limited to:

- Accounting
- Architecture
- Banking
- Design
- Engineering
- Graphics
- Landscaping
- Legal
- Medical
- Non-profits
- Property Management
- Publishing
- Real Estate

OPPORTUNITIES

Based on the Market Assessment findings, it is clear that Ridgway has a healthy economy, but there are many opportunities to increase and strengthen it. The following section outlines opportunities for existing businesses to expand and new businesses to start up in Ridgway. The market analysis signals several opportunities for business growth and new businesses in Ridgway:

- Creative industries
- Professional services
- Grocery and food services
- Clothing and accessories
- General merchandise
- Visitor Services
- Building materials and supplies
- Lodging

Retail Opportunities

Opportunities exist to expand the retail offerings in Ridgway to meet the needs of local and county residents. The town and county see leakage in shoes, clothing, general merchandise; jewelry, luggage, and leather; sports, hobby, and musical instruments categories. This leakage presents an opportunity for existing businesses to expand their services and to attract new businesses. Another retail category with significant leakage is groceries. Ridgway sees \$1.6 million and Ouray County sees \$7.1 million in annual leakage that could



be captured by businesses in Ridgway. This means many local and regional residents are traveling to other locations, likely Montrose, for groceries.

The leakage out of Ridgway and Ouray County occurs mostly in retail sectors offering basic household and personal goods. Some of the sectors exhibiting leakage may not be viable in Ridgway such as a department store or a car dealership. However, the sectors that could occupy downtown space include: clothing, shoes, gifts, books, galleries and art/creative stores. These sectors serve residents and visitors making them ideal for downtown. When asked what types of commercial development would enhance their business and downtown as a whole, 17% of business survey respondents selected retail (see Appendix A for complete Business Survey results).

FIGURE 15 – 2017 BUSINESS SURVEY RESPONSE



Source: Business Survey, 2017

Sectors that could be captured outside of downtown Ridgway, along the Highway 550 corridor and in the light industrial park include: building materials and supplies, groceries, lawn and garden supplies, furniture and auto parts stores. These sectors are better suited for auto-oriented parts of town and generally cater to local and regional residents rather than tourists.

Recommendations:

Encourage and support new business ventures that plan to serve an existing retail gap (clothing, shoes, groceries etc.).

Work with local businesses that wish to expand their inventory or services.

Provide useful, user-friendly information about starting a business in Ridgway on the town website, could include information about vacancies and links to local real estate brokers and property managers.



Eating and Drinking

The food and drink industry is booming in Ridgway thanks to diverse, quality restaurants and a steady stream of locals and visitors. While the existing inventory of restaurants exceeds the demand for local residents alone, thanks to visitors, there is potential for existing restaurants to expand their offerings or new restaurants to open.

Recommendation:

Work with the Chamber and other marketing partners to highlight the quality and diversity of dining options available in Ridgway.

Entertainment

The entertainment sector in Ridgway provides diverse entertainment offerings for a town with a population of 990. The Ridgway Chautauqua Society runs the Sherbino Theater which hosts events throughout the year and the Town, with the help of sponsors, puts on a July concert in the park series. Still, when business owners in Ridgway were asked what types of commercial development would benefit their business and downtown as a whole, 13% selected entertainment venues (see Figure 15). This indicates local businesses are interested in growing this sector. Businesses and nonprofits should investigate where gaps exist and identify opportunities for expansion and growth in this sector. A strong and diverse entertainment sector in Ridgway will provide options for locals and attract more visitors.

Recommendation:

Existing businesses, nonprofits, and the Town continue working together to provide quality entertainment. Identify gaps and consider opportunities for realistic expansion of the entertainment sector in Ridgway.

Creative Industries

The Town of Ridgway received its Creative District certification from the State of Colorado in 2012. Ridgway already has a strong concentration of artists and arts & cultural businesses including art studios, galleries and other businesses selling locally produced arts and crafts. The town has a reputation as an arts community and actively supports creative industries through a variety of means such as allowing home-based businesses and working to become a Space to Create community. The ability to have a home-based business is a great asset for artists and professionals with minimal parking and traffic impacts. The town is working with Space to Create on a possible building in downtown that would encourage affordable creative spaces for local artists to create and show their work.

Recommendations:

Continue support of creative industries in Ridgway. What the town has done so far (Creative District, Space to Create) is working, the town should continue on this path.

Move forward with Space to Create.



Professional Sector

The presence of the professional sector remains important. The professional services provided in Ridgway can serve not just town residents, but also regional residents and some professionals can work remotely to serve clients located anywhere. Existing office space and vacancies present the possibility for immediate growth in the professional sector. During the business inventory and survey, consultants identified vacant office spaces downtown (Sherman Building, 565 Sherman Street), just off Highway 550 (Village Square Building, 112 W Village Square) and in the light industrial park (Ridgway Business Center, 621 N. Cora Street).

Recommendations:

Home based professional businesses – encourage these uses, balance with impacts on neighbors, want it to work for the long term.

Promote Ridgway as a location to professional businesses currently operating in Telluride.

Monitor the supply and demand of office space in Ridgway.

Visitor Market

Ridgway has a strong seasonal visitor economy as evidenced by sales and lodging taxes which show large spikes in July and September. While the town may see an increase in visitors year-round, this industry will likely always be seasonal with the majority of visitors coming in the summer and during the peak fall colors.

Increasing tourism will help local businesses, generate revenue for the town, increase job opportunities, and encourage a positive reputation for the town. Ridgway's many attractions appeal to tourists including hot springs, mining and railroad heritage, special events and the July concert series, recreation and the town's cinematic history (the original filming of *True Grit* as well as other films).

With tourism an important part of the economy, quality visitor services are a must. Visitors to Ridgway come for many reasons, but no matter the purpose of their visit, quality visitor services will benefit all. Visitors are more likely to eat, shop, and stay in Ridgway if the appropriate amenities exist. While dining, drinking and entertainment establishments cater to both locals and visitors, lodging is specific to visitors.

Variety in lodging will promote more overnight visitation. Additional lodging was the number one response (23%) when business owners were asked about types of commercial development that would benefit their business and downtown as a whole (see Figure 15). Lodging opportunities range from small bed & breakfasts and Airbnb's to more traditional hotels.

As the town's creative economy grows, Ridgway will increasingly become a creative destination. This presents a whole other layer of opportunities based around creative



tourism. These include retreats, workshops, performances, additional galleries and gallery walks, showcases, and special events and competitions.

Recommendations:

Work with local tourism partners including the chamber, nonprofits, businesses, and regional organizations to coordinate marketing efforts, optimize costs, and eliminate duplication of efforts.

Work with local artists and creatives to expand art special events, consider an annual art series.

Develop marketing materials that target creative/art tourists.

Utilize available state and federal funding sources to offset the cost of developing a marketing plan and materials.

GENERAL RECOMMENDATIONS

Work with local businesses to address the challenges they listed during the business survey.

- 8% of business survey respondents listed having the appropriate space/location for their business as a challenge. The Town and/or local realtors can provide businesses with a list of existing commercial vacancies that may suit their business needs. (See Appendix A for complete survey results).
- 23% of business survey respondents referenced seasonal swings in revenues as a challenge. Catering to local residents and those living near Ridgway is the most obvious strategy for smoothing out seasonal swings and/or building more revenues in the off-seasons. Visitor markets in the San Juan Mountains will likely always be weighted towards summer months, but every effort to expand attractions for winter visitors should be explored.
- 21% of businesses said that employment/hiring was a challenge for their businesses. The comments range from difficulty of finding and keeping workers with a good work ethic to the difficulty of finding employees with the needed qualifications and training. This topic warrants a more in-depth investigation of how various factors such as cost of living, wage levels, availability/price of housing and competition from nearby labor markets contribute to workforce challenges.
- 24% of businesses indicated that they would be interested in training. Training could include basic computer skills, financial management and marketing. This is an opportunity to engage regional and state economic development partners to identify specific training needs and to bring the training to Ridgway.
- 29% of businesses rated their internet service as poor or nonexistent. Only 25% of respondents to the business survey rated their internet service as good. Top notch

internet service and speed is a foundation for business growth, and the survey shows the need for improvement.

- 16% of businesses surveyed indicated that portions of their building were underutilized and half suggested that the unused space could accommodate other businesses. Use the survey results to identify underutilized buildings and promote potential space sharing strategies to accommodate future businesses.