



THE GAD Report For September 2017

By: Duncan L. McArthur, Governmental Affairs Director

The following is the status of the local, state and national issues.

Local Issues

AMGD – Mesa County School District 51 Board Member John Williams spoke on Amendments 3A and 3B that appear on the November ballot. The participants questioned Mr. Williams about the need for the amendments expressing their concern about how the school district allowed themselves to come to this point and asking if this will solve the issues or will they be back in 15 to 20 years wanting another tax increase. Mr. Williams explained the challenges the district has faced with the Great Recession and the cutbacks in funding from the State of Colorado. The Amendments are discussed in more detail below.

Solar Garden Proposals - The City has received subscriber proposals for two Community Solar Projects. One from Microgrid Energy and one from Oakleaf Energy Partners. Both companies were awarded projects up to 4 MW from Xcel Energy to serve customers in Mesa County.

Subscribers to a solar garden can take up to 40% of the power produced, and must enter into a 20-year lease. The City is currently a subscriber to the first Community Solar Garden developed in Mesa County. Located in Pear Park, we have realized significant savings based on credits received for the subscribed accounts with an estimated \$80,000 annual savings. The City has more than enough additional energy demand to subscribe to either or both proposed gardens. Staff is currently seeking refined proposals from both companies to consider future subscription.

Development Activity – The Grand Junction Planning Department reports approximately 1,300 lots are in some form of process from the initial general meetings to plan processing. An application was received for a site plan review of 5 new single family detached homes (townhomes), one existing home and 5 new accessory dwelling units. The property is zoned R-8 and falls within the City's Greater Downtown Plan and is within the Residential subarea. The property is located at 1147 and 1161 Main Street and is subject to an administrative review. A neighborhood meeting was held September 19th for the proposed Granite Falls Subdivision. The neighborhood meeting drew an estimated 100 people from the surrounding areas. The property is located at 413 South Camp Road and is zoned R-2. The project is proposing a cluster develop of 104 lots on 51 acres and will be subject to administrative review. An Outlined Development Plan was submitted for a 21-single family unit project called Elevation 4591 at 2524 F ½ Road.

November Ballot Initiatives – The November ballot includes ballot initiatives from Mesa County and Mesa County School District 51. Below is the language as it will appear on the ballot.

MESA COUNTY BALLOT ISSUE 1A MESA COUNTY PUBLIC SAFETY SALES TAX SHALL MESA COUNTY'S TAXES BE INCREASED BY AN ESTIMATED \$7,175,061 ANNUALLY BY THE IMPOSITION OF A COUNTYWIDE PUBLIC SAFETY SALES TAX, EFFECTIVE JANUARY 1, 2018, AT A RATE OF THIRTY-SEVEN HUNDREDTHS OF ONE CENT (0.37%) PER DOLLAR OF TAXABLE TRANSACTIONS (37 CENTS ON A \$100.00 PURCHASE). THE ITEMS EXEMPT FROM THIS PUBLIC SAFETY SALES TAX SHALL INCLUDE, WITHOUT LIMITATION, FOOD, GAS, AND PRESCRIPTION DRUGS, PLUS ALL EXEMPT ITEMS REFERENCED IN MESA COUNTY RESOLUTION MCM-2017-1. ALL REVENUES GENERATED FROM THIS PUBLIC SAFETY SALES TAX, TOGETHER WITH ALL INVESTMENT EARNINGS THEREON, SHALL BE APPLIED TO EXCLUSIVELY FUND THE FOLLOWING NEEDS OF THE COUNTY SHERIFF, DISTRICT ATTORNEY, AND OTHER PUBLIC SAFETY ENTITIES, IN ACCORDANCE WITH THE DISTRIBUTION PERCENTAGES AND REQUIREMENTS OF MESA COUNTY RESOLUTION MCM-2017-1: PUBLIC SAFETY NEEDS 1. HIRING, EMPLOYING, TRAINING AND EQUIPPING PUBLIC SAFETY PERSONNEL, INCLUDING BUT NOT LIMITED TO, DEPUTY SHERIFFS, POLICE OFFICERS, MARSHALS, PROSECUTING ATTORNEYS, INVESTIGATORS, FIREFIGHTERS, PARAMEDICS, EMERGENCY MEDICAL TECHNICIANS, PUBLIC SAFETY TELECOMMUNICATORS AND SERVICES PERSONNEL, VOLUNTEERS AND CIVILIAN SUPPORT STAFF. 2. CONDUCTING AND PREPARING FIRE INVESTIGATIONS, CRIMINAL INVESTIGATIONS AND PROSECUTIONS. 3. ADDRESSING SECURITY, SAFETY, OPERATIONS AND MAINTENANCE COSTS AT THE MESA COUNTY DETENTION FACILITY. 4. PAYMENT OF FEES, COSTS, OPERATIONAL EXPENSES, SUPPLIES, EQUIPMENT AND CAPITAL EXPENDITURES RELATING TO PUBLIC SAFETY; AND FURTHERMORE, SHALL ALL REVENUES DERIVED FROM SUCH COUNTYWIDE PUBLIC SAFETY SALES TAX, INCLUDING INVESTMENT EARNINGS THEREON, BE COLLECTED, RETAINED AND SPENT IN EXCESS OF THE REVENUE OR EXPENDITURE LIMITATIONS CONTAINED IN ARTICLE X, SECTION 20, OF THE COLORADO CONSTITUTION OR ANY OTHER LAW, EITHER AS A VOTER-APPROVED REVENUE CHANGE OR AS AN EXCEPTION TO LIMITS ON REVENUES AND SPENDING?

Here is the wording of the school district tax increase and bond issues:

MESA COUNTY VALLEY SCHOOL DISTRICT 51 BALLOT ISSUE 3A SHALL MESA COUNTY VALLEY SCHOOL DISTRICT NO. 51 TAXES BE INCREASED \$6.5 MILLION ANNUALLY (THE MAXIMUM AMOUNT WHICH MAY BE COLLECTED IN ANY FISCAL YEAR), BEGINNING IN 2017 FOR COLLECTION OF TAXES COMMENCING ON JANUARY 1, 2018, AND ANNUALLY THEREAFTER THROUGH AND INCLUDING DECEMBER 31, 2027, BY AN ADDITIONAL PROPERTY TAX MILL LEVY IN EXCESS OF THE LEVY AUTHORIZED FOR THE DISTRICT'S GENERAL FUND, WITHOUT LIMITATION AS TO RATE, PURSUANT TO AND IN ACCORDANCE WITH SECTION 22-54-108, C.R.S., SUCH ADDITIONAL REVENUES TO BE DEPOSITED IN THE GENERAL FUND AND USED FOR THE FOLLOWING EDUCATIONAL PURPOSES: • ADDING FIVE MORE INSTRUCTIONAL DAYS TO THE SCHOOL CALENDAR; •

ACQUIRING STUDENT INSTRUCTIONAL RESOURCES AND IMPLEMENTING STAFF TRAINING; • PROVIDING UP-TO-DATE TECHNOLOGY RESOURCES; AND • PROVIDING ONGOING MAINTENANCE OF AND IMPROVEMENTS TO DISTRICT FACILITIES AND GROUNDS; AND SHALL THE DISTRICT BE AUTHORIZED TO COLLECT, RETAIN AND SPEND ALL REVENUES FROM SUCH TAXES AND THE EARNINGS FROM THE INVESTMENT OF SUCH REVENUES AS A VOTER APPROVED REVENUE CHANGE AND AN EXCEPTION TO THE LIMITS WHICH WOULD OTHERWISE APPLY UNDER ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

MESA COUNTY VALLEY SCHOOL DISTRICT 51 BALLOT ISSUE 3B SHALL MESA COUNTY VALLEY SCHOOL DISTRICT NO. 51 DEBT BE INCREASED \$118.5 MILLION WITH A REPAYMENT COST OF UP TO \$219 MILLION, AND SHALL DISTRICT TAXES BE INCREASED UP TO \$13.5 MILLION ANNUALLY TO PAY SUCH DEBT, WITH THE PROCEEDS TO BE USED FOR THE PURPOSE OF PROVIDING CAPITAL ASSETS FOR DISTRICT PURPOSES, WHICH MAY INCLUDE BUT ARE NOT LIMITED TO: • REPLACING ORCHARD MESA MIDDLE SCHOOL (CONSTRUCTED IN 1960) WITH A NEW FACILITY ON THE SAME SITE; • REPAIRING, RENOVATING, OR MAKING ADDITIONS TO SCHOOL BUILDINGS, INCLUDING UPGRADES TO HEAT AND AIR CONDITIONING SYSTEMS AND PLUMBING TO PROVIDE FOR THE HEALTH AND SAFETY OF STUDENTS AND TEACHERS; • ACQUIRING, PURCHASING, EQUIPPING OR FURNISHING SCHOOL BUILDINGS, INCLUDING SCHOOL SAFETY AND SECURITY EQUIPMENT, TECHNOLOGY AND INTERNET OR NETWORK EQUIPMENT; AND • ADDING GYMNASIUMS TO DUAL IMMERSION ACADEMY ELEMENTARY SCHOOL AND PALISADE HIGH SCHOOL; AND SHALL THE MILL LEVY BE INCREASED IN ANY YEAR WITHOUT LIMITATION AS TO RATE BUT ONLY IN AN AMOUNT SUFFICIENT TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON SUCH DEBT OR ANY REFUNDING DEBT (OR TO CREATE A RESERVE FOR SUCH PAYMENT); PROVIDED THAT SUCH TAX INCREASE SHALL NOT PRODUCE REVENUE THAT WILL EXCEED THE MAXIMUM ANNUAL AMOUNT STATED ABOVE; SUCH DEBT TO BE EVIDENCED BY THE ISSUANCE OF GENERAL OBLIGATION BONDS OR TO PROVIDE DISTRICT MATCHING MONEY FOR ANY GRANT AWARDED BY THE STATE UNDER THE BUILDING EXCELLENT SCHOOLS TODAY PROGRAM; SUCH DEBT TO BE SOLD IN ONE SERIES OR MORE, FOR A PRICE ABOVE OR BELOW THE PRINCIPAL AMOUNT OF SUCH SERIES, ON TERMS AND CONDITIONS AND WITH SUCH MATURITIES AS PERMITTED BY LAW, INCLUDING PROVISIONS FOR REDEMPTION OF THE BONDS PRIOR TO MATURITY WITH OR WITHOUT PAYMENT OF THE PREMIUM OF NOT TO EXCEED ONE PERCENT; AND SHALL SUCH TAX REVENUES AND THE EARNINGS FROM THE INVESTMENT OF SUCH BOND PROCEEDS AND TAX REVENUES BE COLLECTED, RETAINED AND SPENT AS A VOTER APPROVED REVENUE CHANGE UNDER ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW?

Governor Calls for Special Session

Colorado Governor John Hickenlooper has called for a special session of the General Assembly to address issues surrounding SB 16-267 after the measure was passed in this year's regular session. The session is scheduled to start on October 2nd and was called to fix a mistake made during the drafting of SB 267 which eliminated special districts ability to collect the sales tax on retail marijuana sales. Special sessions are limited to three days so governors are hesitant to call the session before having an agreement on the issue from both sides of the aisle. However, it appears there may be some opposition to the proposed fix as the main special district that would benefit from the amendment is the Regional Transportation District that provides mass transit service to the Denver Metro area. Hickenlooper has not called a special session since 2012, and has stated that the best solution is to get it fixed as soon as possible.

While the length of the special session is limited to three days, the bills introduced in the Senate and the House were quickly killed in the Senate's Transportation Committee on a party line vote of 3 to 2 ending the special session after two days.

Federal Legislation

National Flood Insurance Program up for Renewal – NAR reports “President Donald Trump signed a three-month extension of the National Flood Insurance Program, ensuring insurance won't lapse on Sept. 30. The program's next expiration date is Dec. 8. NAR's Call for Action concluded Sept. 8. NAR will continue legislative advocacy efforts for the 21st Century Flood Reform Act, which provides for long-term reauthorization and makes needed reforms”.

U.S. House Passes Personal Finance Choice Act – Last month, I reported that Congressman Scott Tipton reported the House has passed the bill which “effectively guts the provisions of the Dodd/Frank Bill and revises the operation of the Consumer Finance Protection Bureau (CFPB).” If passed by the Senate, it would likely mean an easing of restrictions on banks and mortgage lenders. However, in a conversation with Senator Cory Gardner, I asked if he had any anticipation of the Personal Choice Act passing in the Senate. He commented that he knew the real estate industry needed help in this regard and he anticipated that some form of Dodd/Frank amendments would be passed in some form but he did not expect the House version to be passed by the Senate.

Current news report indicates that the Republican majority in the Senate is considering attaching amendments to Dodd Frank to a tax reform bill.

Congress Introduces Tax Reform Bill – NAR's Chief Lobbyist reports that the tax reform plan introduced in September is expected to “double the standard deduction and eliminate all personal deductions except the Mortgage Interest Deduction and the deduction for Charitable Contributions. The plan eliminates the deduction for State and Local Taxes. This one-two punch will deliver a crippling blow to middle class homeowners by removing economic incentives for homeownership and raising taxes by an average of \$851. By doubling the standard deduction, the Mortgage Interest Deduction would only be available to the top 5% of taxpayers”.

NAR is voicing opposition to the proposal while the National Association of Homebuilders has come out in support of the proposed plan.

Economic News

Jordan Cove Project Continues Progress



Update: Veresen, Inc. reports that new applications have been filed with the U.S. Federal Energy Regulatory Commission (FERC) for the construction and operation of a 7.8 million ton per annum liquified natural gas export terminal in Coos Bay, Oregon and the related Pacific Connector that will extend the existing pipeline that will transport natural gas from the current termination point at Malin Hub in southern Oregon to the LNG export terminal. Veresen is requesting that FERC issue a Draft Environmental Impact Statement in 2018, leading to FERC decisions by the end of 2018. This schedule would position the project for a final investment decision in 2019 and an in-service date in 2024.

Project Description: Jordan Cove is a proposed LNG project that involves utilizing the existing Ruby Pipeline extending from western Colorado to the Oregon border and serving northern California. The proposal includes extending that line to Coos Bay, Oregon, converting and existing import facility to an LNG export facility and adding a power plant and refrigerator facilities. It is estimated that approximately 6,000 jobs will be created for the construction of the facilities and another 200 permanent jobs with the operation of the facility.

Miscellaneous Economic News

Elliot Eisenberg, Chief Economist for the National Association of Homebuilders, publishes various comments on the economy that relate to the real estate industry. Below is a sampling of these comments during the last month.

Tough Taxes

Compared to 188 other countries and taxing jurisdictions, the US has the third highest corporate tax rate. The highest rate belongs to the United Arab Emirates at 55%, followed by Puerto Rico (a US territory) at 39% and the USA at 38.9% (after including the average state rate). The only large nations with rates close to ours: India at 34.6% and France at 34.4%. The worldwide GDP-weighted-average rate; just 29.5%!

Double Deduction

The standard deduction in 2017, if married is \$12,700; \$6,350 if single. Trump proposes doubling it. This will eliminate itemizing for married households with deductions between \$12,701 and \$25,400. Based on 2015 data, the average itemizing household with AGI of between \$50,000 and \$100,000 has \$22,872 in deductions, including \$7,007 in mortgage interest. These households will stop itemizing, enjoying lower taxes but not benefiting from any deductions including mortgage interest.

Sales Slide

Because single-family construction activity is rising much too slowly while multifamily activity shrinks, housing inventory has declined Y-o-Y for 27 straight months, prices keep rising faster than wages, and affordability is at its lowest level since early 2009. As a result, housing sales have been flat for the past 12 months at an annual rate of about 5.5 million units, and Y-o-Y first-time mortgage application growth is barely positive.

Almighty Amazon

With the competition to lure Amazon's second headquarters in full swing, I think the competition really boils down to just Austin, Atlanta, Dallas, and Nashville. All are relatively inexpensive, have good airports and universities, are large enough for Amazon not to drastically alter the existing labor market, and are physically far from Seattle, giving Amazon more European access. Dallas probably wins as it's huge, centrally located, and has spectacular airports. [NOTE: It has been reported that Amazon is also looking for a second distribution point in Colorado in addition to the facility I Aurora. GJEP and its partners are structuring a proposal to provide incentives to consider Grand Junction.]

Inadequate Inflation

Headline inflation as measured by the CPI is 1.94%, and, after falling for some months, is again rising, partly on the back of rising rent inflation. The core rate, which excludes food and energy, and is a better measure of underlying inflation, is 1.68% and still falling. Why? Cheaper cell phone plans, a continuing decline in new car prices, and medical care inflation at its lowest level in 50 years.

Commodity Cash

The global oil market, based solely on the value of oil produced and thus excluding options, futures and the like, is \$1.7 trillion/year, more than all other raw material markets combined. Gold is next at \$170 billion/year, one-tenth the size of oil. Not too far behind is iron ore at \$115 billion/year. Rounding out the top five raw materials are copper at \$91 billion/year and aluminum at \$90 billion/year.

Horrible Hurricanes

The destruction of private wealth and public infrastructure caused by hurricanes Harvey and Irma is roughly \$200 billion. The impact on GDP growth will critically depend on how fast refineries in Houston and tourism in Florida recover, along with how much insurance money and government disaster assistance arrives. 17Q3 GDP will be three-quarters of one percent lower, with compensating boosts in later quarters. The long run effects will be zero.

Median Money

Median household income rose 3.2% in 2016 to \$59,039, finally surpassing the previous inflation-adjusted record of \$58,665 set in 1999, yes 1999! In addition, the male-female wage gap narrowed from 79.6% in 2015, to 80.5%, and the poverty rate declined to 12.7%. In 2000, it was just 11.3%, close to the record 1972 low of 11.1%. Poverty is currently defined as an income below \$24,563 for a family of four.

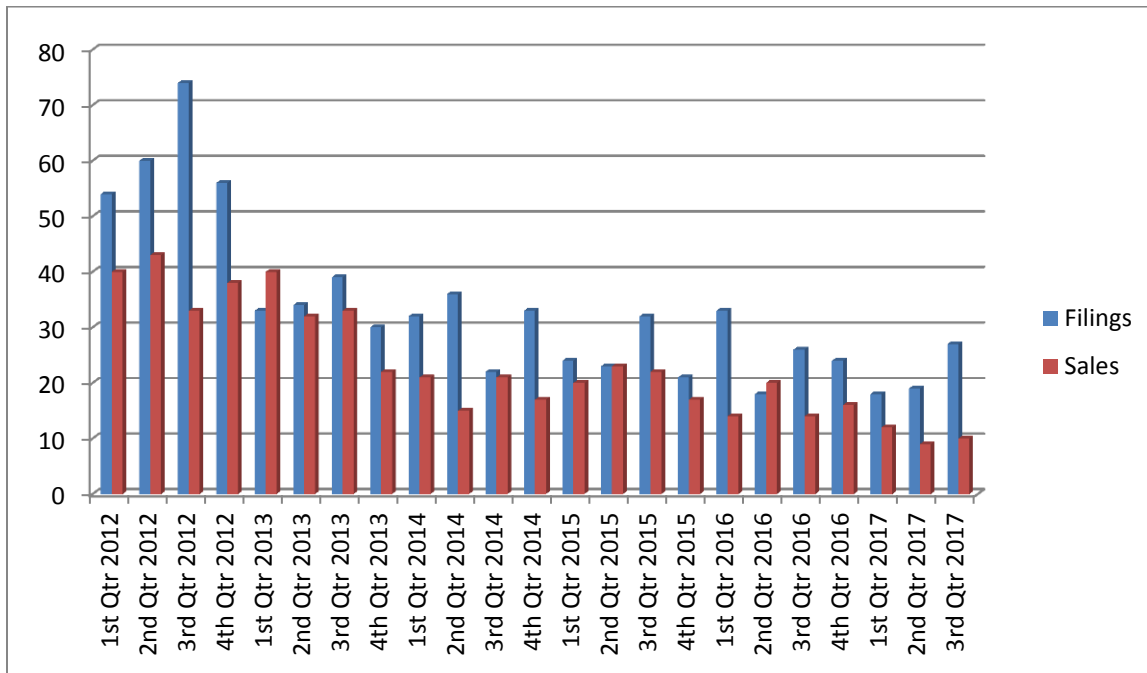


County Foreclosure Reports

The foreclosure activity through the third quarter of 2017 in the five counties is shown below. The foreclosure activity in the various counties showed activity is below pre-recession levels and is not having the same protracted effect on the economy as it was during the past recession but is still an economic indicator of the area.

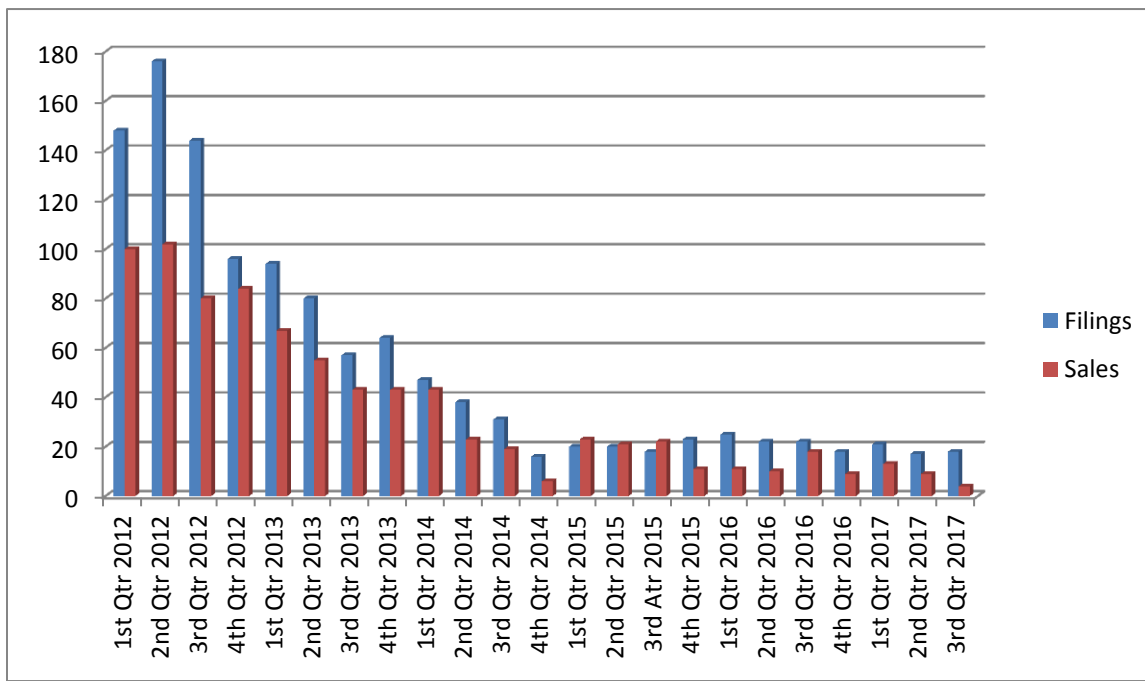
Delta County:

	1 st Qtr		2 nd Qtr		3 Qtr		4 th Qtr		Totals	
Year	Filing	Sales	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale
2012	54	40	60	43	74	33	56	38	244	254
2013	33	40	34	32	39	33	30	22	136	127
2014	32	21	36	15	22	21	33	17	123	77
2015	24	20	23	23	32	22	21	17	100	82
2016	33	14	18	20	26	14	24	16	101	64
2017	18	12	19	9	27	10			64	31



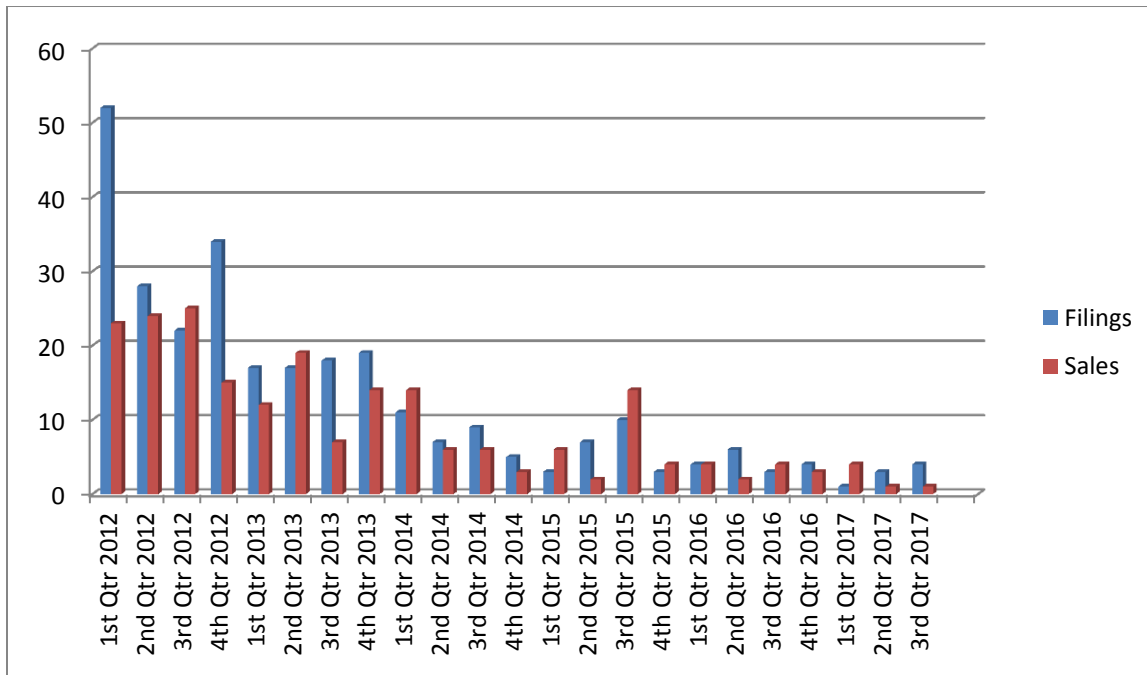
Garfield County:

	1 st Qtr		2 nd Qtr		3 Qtr		4 th Qtr		Totals	
Year	Filing	Sales	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale
2012	148	100	176	102	144	80	96	84	564	266
2013	94	67	80	55	57	43	64	43	295	208
2014	47	43	38	23	31	19	16	6	132	91
2015	20	23	20	21	18	22	23	11	81	77
2016	25	11	22	10	22	18	18	9	87	48
2017	21	13	17	9	18	4			56	26



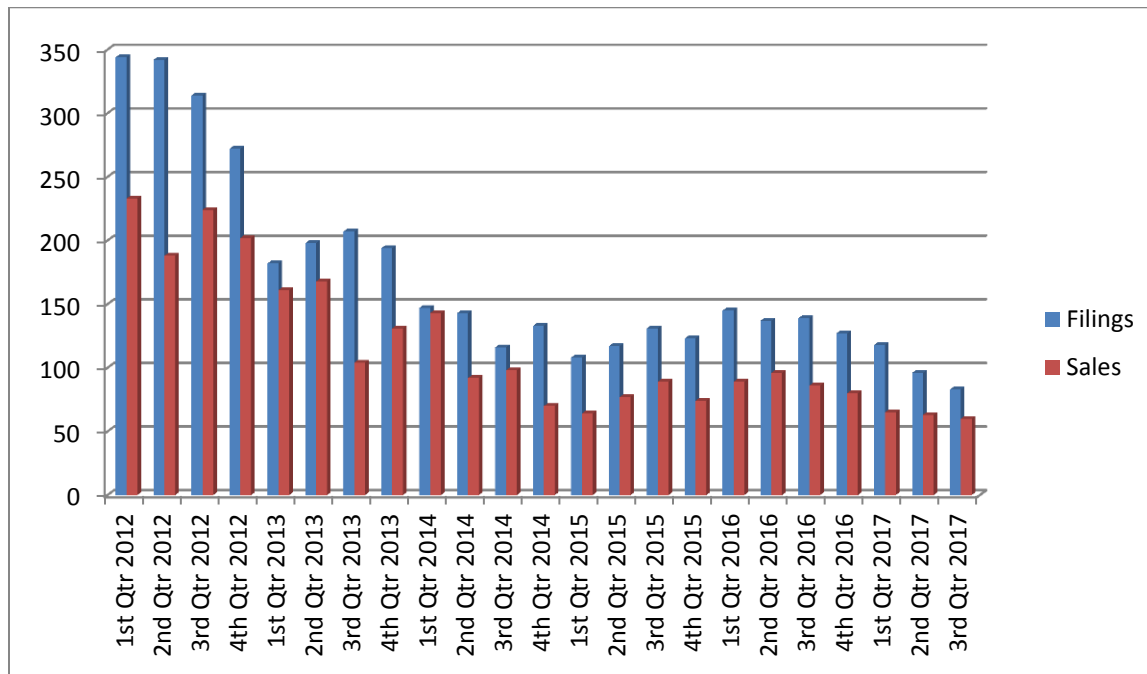
Gunnison County:

Year	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr		Totals	
	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale
2012	52	23	28	24	22	25	34	15	136	87
2013	17	12	17	19	18	7	19	14	71	52
2014	11	14	7	6	9	6	5	3	32	29
2015	3	6	7	2	10	14	3	4	23	26
2016	4	4	6	2	3	4	4	3	17	13
2017	1	4	3	1	4	1			8	6



Mesa County:

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr		Totals	
Year	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale
2012	344	233	342	188	314	224	272	202	1272	847
2013	182	161	198	168	207	104	194	131	781	564
2014	147	143	143	92	116	98	133	70	539	403
2015	108	64	117	77	131	89	123	74	479	304
2016	145	89	138	96	139	86	127	80	549	351
2017	118	65	96	63	83	60			297	188



Montrose County:

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr		Totals	
Year	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale	Filing	Sale
2012	91	36	76	47	56	66	43	24	256	173
2013	51	39	49	30	42	24	44	24	186	117
2014	30	35	33	24	22	16	26	16	111	91
2015	23	17	24	15	11	9	22	13	80	54
2016	28	15	17	21	20	14	20	8	85	58
2017	14	13	16	9	14	9			44	31

