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Study: Energy boom “crowds out” other industries in City of Rifle

RIFLE, Colorado – Intensive energy development around Rifle could “crowd out” other industries and undermine the city’s efforts to diversify its economy, according to a study of the community released July 3, 2008.

As result, Rifle could become overly dependent on energy development and, when the industry declines, “the other supports for the area’s economy may have already withered as a result of crowding out,” says the report by Denver-based BBC Research & Consulting.

“Increasingly, Rifle will be reliant on a single industry and subject to any economic fluctuations that affect those businesses,” it states.

Industries undermined by the energy boom could include agriculture, which could suffer from urbanization and rising land values, and tourism, which is hurt by a lack of available hotel rooms, competition for employees and “declining esthetic values,” the study says.

“Hunting has long been a significant economic generator for Rifle and the surrounding area, but congestion and the lack of available rooms in the city have caused hunters to look elsewhere,” according to the study.

The study says that rising real estate prices, traffic congestion and the decline of Rifle’s “small-town atmosphere,” also could deter retirees looking to relocate and those shopping for second homes. Meanwhile, small or startup businesses “are hurt by labor competition, lack of affordable housing, cost of living and rising material costs,” according to the report.

“The 1980s energy bust remains a significant psychological presence for policy makers, residents and businesspersons who have seen both sides of energy-driven growth and who still retain a deep skepticism about today’s apparent resurgence,” the report notes.

“In Rifle we’ve seen firsthand what can happen when the energy industry disappears overnight,” said Rifle Mayor Keith Lambert, referring to what’s known as “Black Sunday” on May 2, 1982, when Exxon suddenly closed its oil shale operations in the area. “If we become a one-industry town we risk a repeat of Black Sunday. This report highlights some warning signs.”

The report also notes other challenges Rifle faces as it responds to the energy boom:

- “The gas industry is road-use intensive and road repair, maintenance and expansion is often the single largest cost for local governments. This burden falls particularly hard on local counties but also on local communities, such as Rifle, where city streets designed for community use become regional collectors.”
- “Preparing for growth requires raising capital investment monies and completing infrastructure long in advance of population growth, and long in advance of the associated sales and property tax revenues. This revenue lag time puts the city in a position of considerable risk and increases the costs to new homeowners.”
- The cost of needed infrastructure improvements is rising sharply in the face of strong demand for construction materials from the energy sector. “Currently, Rifle is constructing a new public safety facility at over \$250 per square foot – a large increase from the \$125 to \$150 per square foot cost of a building constructed by Garfield County in 2005.”
- Revenue to fund the city’s needs is uncertain. While gas wells push up property values, cities like Rifle do not get the increased property tax revenues that result. In addition, “revenue does not necessarily follow demand for services” when it comes to distribution of state energy tax receipts.

With approximately 9,500 residents in 2007, Rifle will soon surpass Glenwood Springs as the second largest community in northwest Colorado, following Grand Junction.

“The City of Rifle is in the first decade of an extraordinary period of development challenges, risks and opportunities,” the study concludes. “As a focal point of one of the largest gas fields in North America, as well as potential future oil shale production, economic prospects are promising. However, the city is challenged by the pace, magnitude and nature of these growth pressures.”

This Rifle-specific report is a companion piece to a larger socioeconomic study of northwest Colorado produced by BBC Research & Consulting for the Associated Governments of Northwest Colorado. That broader report was released in April and is available at www.agnc.org.

The Rifle Case Study report is available on the City’s website: www.rifleco.org.