



**COLORADO ECONOMIC  
DEVELOPMENT COMMISSION**

**ACTIVITY REPORT  
1999**

*Department of Local Affairs and  
Office of Economic Development and International Trade  
February 2000*

February 25, 2000

Members of the Sixty-Second General Assembly:

On behalf of the Colorado Economic Development Commission, I am pleased to present you with the commission's Activity Report for 1999. The report contains information on projects supported by the EDC over the past year as well as the status of initiatives funded in 1998.

The last year saw major changes for the commission. Five new commission members were appointed by Governor Owens, bringing new ideas and perspectives to the EDC's efforts. As charged by the Governor and the Legislature, the commission has attempted to further strengthen its emphasis on assisting rural and economically lagging communities. We will continue to focus on these communities over the next year.

We welcome your comments on this report and on our efforts to retain and create quality jobs in the state. On behalf of the commission, I want to thank members of the General Assembly for your ongoing support and guidance.

Sincerely,

James A. Kenyon  
Chairman

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## COMMISSION MEMBERS

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James A. Kenyon  
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Pueblo

### VICE CHAIRMAN

Dick Robinson  
Robinson Dairy  
Denver

### MEMBERS

Bob Brooks  
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Richard Monfort  
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William Sisson  
Mesa National Bank  
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International Trade  
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Ken Sparks  
Sparks Willson Broges Brandt &  
Johnson, P.C  
Colorado Springs

<b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 1999</b>				
<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
StarTek USA, Inc.	Grand Junction	\$100,000	\$600,000/Mesa County Economic Development Council and \$90,000 Customized Job Training	Pending
AGFS: Kiowa County Oil Processing	Kiowa County	\$6,950	\$13,100/Local	Contracted
AGFS: Rangely Wild Game Processing	Rangely	\$4,900	\$5,433/Local	Contracted
AGFS: San Miguel Shared Processing	San Miguel County	\$15,000	\$15,000/Local	Contracted
AGFS: Weld County Multi-Species Processing	Weld County	\$15,000	\$40,000/Local	Contracted
Colorado Agricultural Domestic Trade Show Program	Statewide	\$20,000	Private	Contracted
Colorado Agricultural International Trade Promotion Program	Statewide	\$18,000	Private	Pending
Colorado Proud Agricultural Marketing Logo	Statewide	\$20,000	\$10,000 Private	Contracted
Adams County EZ Marketing	Adams County	\$10,500	\$10,500/EZ	Pending
Arapahoe County EZ Marketing	Arapahoe County	\$7,500	\$7,500/EZ	Pending
Denver EZ Marketing	Denver	\$10,500	\$10,500/EZ	Pending
East Central EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Pending
El Paso County EZ Marketing	El Paso County	\$7,500	\$7,500/EZ	Contracted

<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
Greeley/Weld County EZ Marketing	Weld County	\$10,500	\$10,500/EZ	Pending
Jefferson County EZ Marketing	Jefferson County	\$7,500	\$7,500/EZ	Pending
Larimer County EZ Marketing	Multi County	\$7,500	\$7,500/EZ	Pending
Mesa County EZ Marketing	Mesa County	\$22,000	\$22,000/EZ	Pending
Northeast COG EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Contracted
Northwest EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Pending
Pueblo County EZ Marketing	Pueblo County	\$10,500	\$10,500/EZ	Contracted
Region 10 LEAP	Multi County	\$22,000	\$22,000/EZ	Contracted
San Luis/Upper Ark. EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Pending
South Central EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Pending
Southeast EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Pending
Southwest EZ Marketing	Multi County	\$22,000	\$22,000/EZ	Contracted
Enterprise Zone Trade Show Marketing	Multi Zone	\$30,000		Pending
Colorado Enterprise Fund	Statewide	\$250,000	\$750,000/SBA Microloan Program, \$500,000 Federal CDFI grant, \$362,500 other support	Pending

<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
Fort Collins Virtual Incubator	Fort Collins	\$35,000	\$45,000 City of Fort Collins/CSU/Private	Completed
Colorado Photonics Industry Association	Statewide	\$30,000	\$20,000 cash and \$15,000 in-kind/Adams County Economic Development	Contracted
Defense Conversion: Western Colorado Business Incubator	Mesa County	\$44,500	\$400,000/City of Grand Junction and Mesa County, \$300,000/Energy & Mineral Impact Fund	Completed
Defense Conversion: Grand Junction Joint Utilization Commission	Mesa County	\$30,000	\$30,000/Local	Contracted
Durango Conference Center Feasibility Study	Durango	\$30,000	\$30,000/City of Durango Vendor Fee Revenue, \$30,000/City of Durango District Property Tax Revenue	Contracted
Space Initiative Study	Statewide	\$250,000		Contracted
15 <sup>th</sup> Annual National Space Symposium	Statewide	\$15,000	\$215,500/Private	Completed
2000 Inc. 500 Annual Conference	Statewide	\$100,000	\$500,000/Private	Pending



## **INTRODUCTION**

During 1999, the Colorado Economic Development Commission addressed a variety of challenges. With five new members appointed to the commission by Governor Owens in early 1999, the EDC undertook efforts designed to sustain Colorado's overall healthy economy and to strengthen the state's rural communities and economically lagging areas.

Agricultural projects, including domestic and international marketing programs, the Colorado Proud program and agricultural feasibility studies, received strong support from the EDC, as did Enterprise Zone marketing activities. Through an allocation to the Colorado Enterprise Fund, which was used to match federal funds, the commission provided assistance to the state's small business sector statewide. Activities on the Western Slope included support for a company which will create 200 jobs in Grand Junction, defense conversion projects in Mesa County and a conference center in Durango.

Recognizing the potential for job retention and creation in Colorado over the next ten to twenty years through the growth of the space industry, the EDC supported two projects related to promoting this industry in the state. The "space economy" consists of jobs related to the use of outer space and represents an important part of the curricula at many Colorado colleges and universities. According to the U.S. Space Foundation, it is the state's second largest economy, with the fourth largest space economy in the nation – behind California, Florida and Texas.

The commission hosted two regional meetings with participation by legislators, local officials and business and community leaders. These meetings, held in Pueblo and Grand Junction, provided EDC members with a first-hand view of local and regional economic development efforts and needs. Representatives from 40 of the state's 63 counties attended these sessions. The EDC will continue to hold at least two of its meetings each year in areas outside of the Metro Denver area.

The EDC has long recognized the need to reasonably measure the costs and benefits of economic development incentives. To that end, several years ago the commission helped fund an Economic and Fiscal Impact Model developed by Arthur Andersen Company. This tool is now being used statewide to provide a more comprehensive cost/benefit assessment of these incentives.

Finally, commission members participated in the review of existing and development of new economic development performance measures as part of the Governor's new budgetary policies. These policies constitute an overall strategy to target at least fifty percent of EDC resources to the rural and economically lagging communities. The EDC is committed to this strategy and will continue to focus its resources on these areas. The following statistics demonstrate the EDC's strengthened focus on rural communities in 1999:

EDC AWARDS (Calendar Year)

	<u>1999</u>	<u>1998</u>
Rural Projects	35%	12%
Urban Projects	30%	71%
Statewide Projects	35%	17%

The Economic Development Commission looks forward to working with the Governor and the General Assembly over the next year to implement existing policies and to respond to new challenges.

## **New Initiatives: Projects Funded by the EDC in 1999**

During 1999, the EDC worked with the Office of Economic Development and International Trade, other state agencies, local governments, economic developers and companies to support a number of business ventures and economic development activities throughout the state. The commission provided assistance to a variety of projects, with an emphasis on rural communities and small businesses. These included funding for agricultural projects and the statewide Enterprise Zone program. Additionally, the EDC supported marketing projects, special activities and studies designed to reinforce Colorado's positive image and business climate and to explore new economic development opportunities in the state.

### **Goal I: To encourage, promote and stimulate economic development in all regions of the state.**

#### **Objective A: In cooperation with state, local and private entities, develop incentive packages to help existing companies expand and new companies locate in the state.**

- 1. StarTek USA, Inc., Grand Junction** - This company provides outsourced process management services primarily for Fortune 500 companies and is a subsidiary of StarTek, Inc. StarTek USA, Inc. assembles products that have been created, written and coordinated by other companies and sends the finished product to distribution centers and retail shelves. The company's need for a voice and data provisioning center operation has grown. StarTek currently has over 1,000 employees in Greeley, and hopes to expand at that location with an additional 100 employees as well as to build a new location in Grand Junction. StarTek USA, Inc. is expected to create 200 jobs at an average salary of \$12 an hour at its new location. The City of Grand Junction is providing \$600,000 in local assistance. The EDC approved a \$100,000 performance based grant. The state also committed \$90,000 in customized job training funds.

#### **Objective B: Identify and support specific programs and activities to assist the economies of rural areas of the state.**

- 1. Agricultural Feasibility Studies, Statewide** - The EDC approved a grant of up to \$55,000 to the Department of Agriculture for Agricultural Feasibility Studies. EDC funds are matched by local sources and are used to conduct feasibility studies on various locally grown crops and manufactured products. This program enables the commission to support rural areas of the state. To date, the following studies have been approved:

- A. Kiowa County Oil Processing** - The sunflower growers in Kiowa County are interested in a process that will utilize sunflower oil by converting it into a 4-cycle engine oil. The objective is to provide Kiowa County with a feasibility study for a bio-based oil production business, including the analysis of potential markets for oil products. Also included will be the identification of the lubricant products under consideration, comparison of product packaging and delivery approaches, and financial projections of production costs and profit structures for differing production systems. The study will be funded by \$6,950 from the EDC and \$13,100 in local contributions.
- B. Rangeley Wild Game Processing** – In 1987-88, a study was performed outlining sources of meat and potential markets for a wild game processing facility. Since the initial study was completed, circumstances have changed. The EDC will provide \$4,900 to update the original study and to provide supplemental information as appropriate. Its emphasis, taking into account the new information and change in circumstances since the initial study was completed, will be: an analysis of the local and regional supply of elk and buffalo meat and projections for expansion of the supply; an analysis of the current market and the means to deliver product to such markets; preparation of schedules for start-up costs; and strategies for initial production with phasing in of increased production based on market expansion and product acceptance. \$5,433 in local contributions will serve as match.
- B. San Miguel Shared Processing** - The proposed facility is a small multifaceted processing center. The study will determine facility size, identify markets, facility design and products. The facility would be shared, flexible and designed to expand as demand increases. The study will identify products and facility design appropriate for a small-scale operation. It is being funded by \$15,000 from the EDC and \$15,000 in local contributions.
- C. Weld County Multi-Species Processing** - The study, being funded by \$15,000 from the EDC and \$40,000 in local contributions, will evaluate the opportunity to process and market locally grown natural and organic beef, lamb, goats, bison and elk. The project will determine the feasibility of constructing and siting a multi-species processing plant in northern Colorado. The Rocky Mountain Farmers Union Cooperative Development Center has concluded that without access to a moderate-sized, efficient meat processing plant, the opportunity for success of their businesses is greatly reduced. Developing a marketing structure that includes a full line of meat products and the ability to achieve larger volumes with middle meats and hamburger is also a major objective of the project.

2. **Colorado Agricultural Domestic Trade Show Program, Statewide** – The Department of Agriculture has designed this program to assist first-time attendees at out-of-state domestic trade shows. The funds are used to assist participants cover booth space costs, up to a maximum of \$1,000 per company. The program is designed to encourage additional sales for small processors. Attendance at these trade shows gives companies exposure to new markets, creating additional sales and jobs. The EDC provided \$20,000 toward this program.
3. **Colorado Agricultural International Trade Promotion Program, Statewide** – The Department of Agriculture International Trade Promotion Program (AITPP) assists Colorado food and agricultural companies develop overseas sales through participation in international trade shows and promotional events. The program has been successful in encouraging the Colorado agricultural industry to develop export markets. During FY 1998, AITPP approved 31 grants, with an average award at \$507.00. Farmers, ranchers and processors from throughout the state have participated in the program. The EDC provided \$18,000 toward this program.

**Goal II: To oversee the statewide economic development marketing program and to support additional activities/events which promote the state.**

**Objective A: Produce marketing materials to support ongoing business development efforts.**

1. **Colorado Proud Agricultural Marketing, Statewide** - The Department of Agriculture Markets Division developed a new logo, “Colorado Proud”, for identification and promotion of Colorado food and agricultural products. The department will now grow the program by increasing the number of active participants, expand the program to include adaptations for e-commerce and transition the Colorado Proud program to be self-funded through the development of promotional items for resale to participating companies and the development of retail items with the Colorado Proud Logo. The EDC provided \$20,000 toward this effort. An additional \$10,000 of private money will be contributed in the form of an advertising co-op.

**Objective B: Assist Enterprise Zones to develop individual marketing strategies and cooperative programs between zones and provide matching funds for implementation.**

Sixteen economically distressed urban and rural areas have been designated as state enterprise zones to provide special state tax incentives to encourage job creation and private investment in these areas. For an area to use these special incentives successfully, it must let businesses, both existing and prospective new ones, know about the area's zone status. To assist Colorado's zones capitalize on this opportunity, the commission again provided funds to help implement individual enterprise zone marketing plans.

In 1999, the commission allocated a total of \$300,000 to enterprise zones for the continuation and expansion of their marketing activities. Of the total, \$30,000 was set aside to support continuation of a multi-zone trade show marketing program. This portion of the grant does not require local matching funds, but participating zones share in the costs. The remaining \$270,000 was divided among the zones in matching grants based on evaluation of local proposals.

Marketing activities undertaken by the zones fell into the following general categories:

- 1. Publicizing enterprise zone benefits** - Zones have attempted to increase the awareness of zone benefits by local businesses through local media, industry and professional association publications, direct mail, and publishing zone newsletters and updated brochures. Most zones held seminars in communities within the zones, in conjunction with local tax professionals and state agency staff, to explain zone benefits.
- 2. Supporting existing zone businesses** - Zones conducted surveys to identify and assist existing companies with expansion potential within the zones; supported local small business incubators' recruitment and publicity programs; promoted special events and other promotions to increase business activity in downtown sections of the zones, and conducted market research to support local business prospects.
- 3. Business recruitment** - All zones coordinate closely with the major community and economic development organizations within their zones. The zones assisted these organizations to produce updated targeted advertising and direct mail, to attend targeted industry trade shows, and to conduct the business recruitment campaigns for their economic development organizations.

- 4. Rural tourism development** - Many of the rural zones' marketing plans attempt to increase spending by visitors to their region. Simultaneously, they seek to convert familiarity with their area as a result of tourism contacts into business location prospects. They supported publications, brochures and magazines which feature the zones' tourist attractions as well as their business development opportunities. Some of these zones also produced video and brochure displays for use at regional airports to inform visitors about business opportunities in the zones.

**Objective C: Develop and support special projects and activities.**

- 1. Colorado Enterprise Fund, Statewide** - The Colorado Enterprise Fund (CEF) operates a microloan program for small businesses that do not have access to traditional sources of capital. CEF has established a viable and nationally recognized program designed to assist micro-enterprises with capital investment and working capital needs. The program also includes a strong technical assistance and training component for borrowers. Since 1990, CEF has made 182 loans totaling \$2.16 million, with an average loan size of \$11,900. The typical CEF borrower has historically created or retained 2.5 jobs. The EDC approved a \$250,000 grant to CEF to provide a portion of the match required for a federal U.S. Treasury Community Development Financial Institution (CDFI) grant in the amount of \$500,000 and a Small Business Administration (SBA) Microloan Program Loan in the amount of \$750,000. CEF also has \$362,500 in other local support.
- 2. Fort Collins Virtual Incubator, Fort Collins** – The EDC provided a \$45,000 grant in 1997 to help establish the Fort Collins Virtual Incubator. In 1999, an additional award was approved in the amount of \$35,000 to continue to strengthen its operations. The incubator was designed to provide a positive climate for creating and expanding new and existing high-tech manufacturing businesses in northern Colorado and for the transfer of innovative technologies from the private sector and Colorado State University to the marketplace. Other local sources of funding included \$15,000 from the City of Fort Collins, \$15,000 from CSU and \$15,000 from the private sector.
- 3. Colorado Photonics Industry Association, Statewide** – Photonics, the technology of using light, is a key enabler of the information age. The Optoelectronic Industry Development Association estimates that photonics components manufacturing is a \$34 billion per year business worldwide. Colorado's photonics industry has grown significantly over the past 10 years. Since 1997, the number of photonics firms in the state has grown from 65 to 140. The large concentration of photonics businesses along the Front Range led to the formation of the Colorado Photonics Industry Association (CPIA) in 1997. The CPIA is a grass-roots effort that promotes Colorado's photonics companies in the international business arena.

The goal of the association is to grow the photonics industry by promoting Colorado photonics companies at the national and international level, by building a skilled photonics workforce, and by attracting photonics companies to Colorado.

The EDC provided a \$30,000 grant to the CPIA. Of this amount, \$10,000 is being used to help develop a photonics workforce by creating and distributing a video about photonics as a career for high school students and displaced workers and by holding development workshops at high schools and community colleges. The remaining \$20,000 is being used to exhibit a Colorado Photonics booth at four national conferences and trade shows. Adams County Economic Development, Inc. contributed \$20,000 in cash and \$15,000 as an in-kind match.

4. **Defense Conversion, Statewide** - In FY 1994, the JBC included a footnote in the Long Bill requiring the EDC to allocate up to \$500,000 for defense initiatives in various regions of the state to retrain employees, create new jobs or help supplier businesses. Since the original footnote, the JBC has authorized the commission to continue to fund these projects if it so chooses. The state's Office of Statewide Defense Initiatives solicits applications, screens applicants and forwards its recommendations to the EDC for approval. Based upon these recommendations, the EDC approved the following projects in 1999:

- A. **Western Colorado Business Incubator, Mesa County** - The Western Colorado Business Development Corporation requested funding to assist with the relocation of its business incubator to the Department of Energy (DOE) property south of downtown Grand Junction. The EDC provided a \$44,500 grant to the corporation for fence realignments. Costs associated with the total project, which include utilities, telecommunications, site layout and renovations and repairs to buildings, are \$982,902. Other contributions include \$400,000 in local support and \$300,000 from the Energy and Mineral Impact Fund. Additional federal grants are being solicited to cover the remainder of the costs.

- B. **Grand Junction Joint Utilization Commission, Mesa County** - The Joint Utilization Commission (JUC) was created by the City of Grand Junction and Mesa County to redevelop DOE's site in Grand Junction which is scheduled for transfer to the River Technology Corporation in 2000. The JUC's goal is to develop and implement a plan to fully utilize the resources currently in place at the site, with an emphasis on economic development and job retention and creation. The JUC has relocated the business to the DOE site. To date, approximately \$1 million has been spent on renovations to the incubator buildings.

The EDC provided the JUC with a \$30,000 grant to complete due diligence and master planning for transfer and renovation of the DOE site. Other funding commitments include \$30,000 in local matching funds.



5. **Durango Conference Center Feasibility Study, Durango** – Efforts to build the Durango Conference Center began in 1995 in order to capitalize on the conference industry, which provides stable, year-round employment. In August 1997, proponents of the conference center petitioned the Durango City Council to form the Durango Conference Center Business Improvement District (BID). The purpose of the BID was to create a funding mechanism for feasibility studies that would determine the viability of a downtown conference center. In November 1997, individuals who lived, leased or owned property within the BID approved a 1.5 mill levy increase in property taxes to fund the feasibility studies and to advance Durango Conference Center efforts.

In April 1999, residents of the City of Durango voted to rescind the vendor fee and to use those monies to retire a bond debt for property acquisition and construction of the Durango Conference Center. Project costs are expected to total about \$4.2 million. BID tax revenue and vendor fee funds will generate all but approximately \$500,000 of total project costs; fundraising and corporate partnerships will make up the difference.

The conference center will generate 20-30 permanent year-round jobs; stabilize the area's tax base by generating year-round revenue in an otherwise seasonal economy; generate indirect employment opportunities by increasing business in shops, restaurants and attractions; and improve property values and visual appeal within the city's central business district.

The conference center board is conducting a full-scale feasibility study and architectural design of the conference center at a total cost of \$90,000. The EDC provided \$30,000 to assist in conducting the feasibility study and architectural design. Other funding includes \$30,000 of the local vendor fee revenue plus \$30,000 from the District property tax revenue.

6. **Space Initiative Study, Statewide** – The EDC set aside \$250,00 as a grant to the United States Space Foundation, a national agency headquartered in Colorado Springs. The project includes a study that will identify opportunities available to Colorado in space activities and will recommend a statewide strategy to take advantage of these opportunities which include: economic stability and diversification; an increase in research funding support for universities; and using the attraction of space to encourage more students to study math and science.

The EDC's \$250,000 grant is being used to develop a request for proposal and, with support of a technical team and authorization by the EDC, to select a contractor to conduct the study. The project is being executed with supervision by the technical team and periodic review by an oversight committee.

7. **15<sup>th</sup> Annual National Space Symposium, Statewide** – The space and aerospace industry employs an estimated 40,000 Coloradans; Colorado has the fourth largest space economy in the nation. The United States Space Foundation is a 501c(3) national organization headquartered in Colorado Springs. Its mission includes advancing civil, commercial and national security space endeavors and supporting educational excellence through the excitement of space.

The foundation's National Space Symposium is considered to be a premier annual event in the space industry. In April 1999, the symposium, which was held at the Broadmoor in Colorado Springs, was attended by 1,000 industry participants and 70 exhibitors.

According to the Colorado Springs Convention & Visitors Bureau, the symposium generated approximately \$2 million in local economic activity. The EDC approved a \$15,000 grant for facilities, infrastructure and support for the news media covering the event. Private sponsors contributed \$215,500 in addition to the \$588,000 in exhibitor fees and \$600,000 in registration fees.

8. **2000 Inc. 500 Annual Conference, Statewide** - The Inc. 500 is an annual conference of the 500 top small and mid-sized companies in the country. The conference of 1,100 attendees will be held in Vail, Colorado July 12-14, 2000. This is an excellent venue to promote and showcase the economic opportunities Colorado has to offer small and mid-sized companies and will increase Colorado's visibility as a site for expansion or relocation of these rapidly growing companies. The projected budget for state sponsorship of the Inc. 500 Conference is \$800,000 to \$1.0 million.

The EDC approved a \$100,000 grant for the Inc. 500 conference to be used for conference marketing materials and to offset the State of Colorado's commitment of \$250,000 of advertising in Inc. Magazine. Between \$500,000 and \$700,000 will be raised from the private sector in cash and in-kind support.

**Goal III: To provide policy oversight for the state enterprise zone program as directed by the enterprise zone statute.**

In 1996, the General Assembly gave the commission responsibilities for three general areas of enterprise zone policy:

- A. **Zone boundary terminations and designations.** The commission completed a comprehensive review of zone boundaries in 1997. These changes took effect July 1, 1998, eliminating a number of areas from enterprise zones which no longer met the statutory economic distress definitions.

- B. Annual review of proposals for projects eligible for the enterprise zone contribution tax credit.** The enterprise zone statute requires each local enterprise zone to submit to the commission a proposed list of all projects, programs, and organizations that would be eligible during the following year for the 25 percent tax credit for contributions which promote job creation and retention, and employment for the homeless, in enterprise zones. Pursuant to SB 99-033, the commission must review and approve any new or changed project proposals. It approved 10 new or changed projects for 2000, and rejected requests for three others in addition to 369 continuing projects approved by the commission in prior years.
- C. Extended tax credits for taxpayers in terminated areas.** In SB 99-033, the General Assembly shifted responsibility for reviewing applications from taxpayers for extended tax credits in any future enterprise zone terminations from the commission to the Department of Revenue.

### **Changes in Zone Economic Conditions**

- In 1998, of the 78,000 jobs added to the state's economy, 43 percent were in enterprise zone counties, and 13 percent were in rural enterprise zones. Between 1990 and 1998, 35 percent of state job growth was in enterprise zone counties, and 12 percent in rural enterprise zones. This compares to 13 percent of the state job growth in the same counties prior to the zone program, between 1980 and 1985, and a loss of jobs in the rural counties.
- Unemployment in zone counties averaged 4.6 percent in 1998, down from 8.6 percent in 1986. This rate was still 20 percent above the state's 3.8 percent average. This represents a widening of the gap between zone counties and the state average unemployment rate since 1993, when it had improved to 14 percent above the state average. In rural enterprise zones, the 1998 unemployment rate averaged 4.9 percent.
- Since 1990, rural enterprise zones in eastern and southern Colorado have started to regain population, although at slower growth rates than the state average. These areas were losing population during the 1980s.

As with any public economic policy, it is not possible to measure definitively the impact of a single program such as enterprise zones as compared with other economic factors.

### **Enterprise Zone Tax Credit Activity**

- The number of businesses claiming potential enterprise zone tax credits in FY 1999 was approximately 5,600, about the same level as in 1998.
- Businesses claiming zone tax credits created over 16,000 new jobs in 1999, up 26 percent from 1998.

- Over 11,400 taxpayers contributed over \$24 million to enterprise zone economic development, child care, and homeless assistance projects, resulting in over \$9 million in potential tax credits. This was a 16 percent decrease from FY 1998, as the reductions in this credit enacted by the legislature in 1996 began to take effect.
- Total EZ tax credits claimed with the Department of Revenue in FY 1999 were \$51 million. Of this total, \$31 million were claimed by corporate taxpayers, and \$20 million by non-corporate (individual contribution credits, plus sole proprietor, partnership, and other non-corporate business credits).
- Some 75 percent of the estimated dollar value of credits certified was for the enterprise zone investment tax credit. About 8 percent was for new jobs tax credits, 13 percent for enterprise zone project contribution tax credits, and the balance for vacant building rehabilitation and increased research and development expenditures.
- New jobs and capital investment created by businesses claiming enterprise zone credits will result in several different types of increased tax revenues:
  - Personal income and sales taxes: \$32 million (assuming the 16,000 new employees pay state taxes at the state average rate of \$2,000 per employee).
  - State sales and use taxes on taxable non-manufacturing equipment: \$35 million (3 percent of \$1.183 billion in non-manufacturing/mining equipment).
  - In addition, new economic activity would add revenues from increased corporate taxes, as well as increased local property and sales taxes.

## Status of Projects Funded by the EDC in 1998

### Business Expansion/Location Projects Funded in 1998

1. **Level 3 Communications, Inc., Broomfield** – Level 3 Communications, Inc., is a telecommunications and information services subsidiary of Kiewit Diversified Group, Inc., which has interests in construction, mining, energy and infrastructure privatization. The company has a new focus on building and operating an advanced fiber network across the U.S. using Internet technology. The network is the first national telecommunications network to use internet technology end-to-end. Level 3 Communications announced its decision to locate its world headquarters at the Interlocken Business Park in Broomfield in 1998. As of December 1999, Level 3 had created 1,770 jobs with an average annual salary of \$73,574 and a capital investment of over \$130 million. The City of Broomfield provided over \$2.2 million in local assistance. The EDC provided a \$750,000 performance-based award (an initial \$250,000 loan and a \$500,000 grant to be disbursed over a three year period). The state also committed \$800,000 in customized job training funds.
2. **OpTx, Denver** – This is a healthcare information technology and services company that provides proprietary information and services to assist oncology clients manage their care delivery systems. The corporate headquarters has relocated from Winnipeg. The company will create up to 250 high-quality jobs over the next five years with wages ranging from \$40,000 to \$150,000. The City of Denver has provided \$200,000 in local assistance. The EDC provided \$200,000 as a performance-based grant. An additional \$75,000 in customized job training funds has also been allocated to OpTx.
3. **Gateway 2000, Lakewood** – Gateway 2000 is a Fortune 300 company that has developed into one of the leading global direct marketers of personal computers and PC-related products in the nation. After considering several potential sites to house its new primary Information Technology and Data Development Center, Gateway selected the old Merrill Lynch building in Lakewood. At the end of 1999, the company had created approximately 100 new jobs with an average annual salary of \$55,000. The company is expanding the data center and expects to add an additional 200 jobs by the end of 2000. The City of Lakewood and Jefferson county provided \$1.1 million in local assistance. The EDC committed a total award of \$550,000, which included a \$250,000 loan and a \$300,000 performance-based grant. The state also provided \$135,000 in customized job training funds.

4. **T. Rowe Price, Colorado Springs** - T. Rowe Price is a Fortune 500 financial services company that provides investment products to institutional and individual investors in the United States. The company selected Colorado Springs in 1998 as the location for its new Western U.S. Shareholder and Processing Center, which will provide brokerage services to T. Rowe Price's western U.S. Customers. Approximately 250 new employees have been hired in Colorado Springs and are currently housed in leased facilities. T. Rowe Price held a groundbreaking Ceremony for its new facility in November 1999. The project will provide 750 new jobs within five years with an average annual salary of \$31,000. The company will make a capital investment estimated at over \$62 million. Local participation of \$221,000 was matched by the EDC, which provided a \$221,000 performance-based grant. The state has also committed \$221,000 in customized job training funds over three years.
  
5. **Orica, Inc., Arapahoe County** - Orica, an Australian company, is the world's largest explosives manufacturer and supplier, with operations planned for all mining areas worldwide. Orica selected a 480 acre site on the former Lowry bombing range to consolidate its operations, which include its International Headquarters (Toronto), ICI Canada (Toronto), Energetic Solutions (Dallas), North American Technology Center (new facility), and Central America, Caribbean and South American operations. As of December 1999, the company had submitted documentation that it had completed acquisition of its site from the State Land Board and had received approval from local jurisdictions of the waiver and deferral of certain infrastructure requirements (local match). It is expected that a contract will be executed in early 2000.

The relocation will create over 200 new jobs at an average annual salary of \$65,000. Orica will make an initial investment of \$8.5 million for the new headquarters, with an additional \$4 million within five years. Arapahoe County is providing \$750,000 in assistance. The EDC approved a total award of \$400,000 -- \$200,000 grant and \$200,000 performance-based loan. An additional \$104,000 in customized job training funds will also be provided over two years.

6. **L'Oreal Cosmair, Inc., Aurora** – L'Oreal Cosmair is the United States licensee of the Paris-based L'Oreal. The company selected the Majestic Business Park in Aurora to locate its western U.S. distribution center for cosmetics and personal care products. L'Oreal's 280,000 square foot distribution facility is under construction in Aurora and is anticipated to be completed in early 2000. The company has begun interviewing for management/supervisory positions.

The company is expected to employ 80 people at start-up with the potential for a 100,000 square foot expansion. Cosmair will make an initial investment of \$3.9 million at the Business Park. Adams County, the City of Aurora and the Aurora Public Schools will provide \$350,000 in local incentives. The EDC approved a \$175,000 performance-based grant. Customized job training funds in the amount of \$32,000 are also being provided.

7. **MemPro Products Corporation, Arapahoe County** – MemPro is a manufacturer of membrane-based filtration products. The company located its operations in a facility at the Denver Tech Center. This operation will become an international showcase for the \$75 billion filtration industry and will emphasize Colorado’s high technology focus and capabilities. The University of Colorado provided \$25,000 for the project. The company, which committed over \$150,000 of its own resources, is creating up to 10 new jobs. The EDC provided a \$24,750 performance-based grant.

### **Projects in Rural areas funded in 1998**

1. **The North Face, Inc., Carbondale** – The North Face, Inc. designs and distributes skiwear, sportswear, and outdoor equipment. As part of its initial commitments, the NorthFace anticipated creating 70 new full-time permanent jobs in the local community and relocating 50 jobs from California. The company projected an investment ranging from \$10-\$12 million dollars to construct the first phase of the facility. The Town of Carbondale waived fees equivalent to \$480,000. The commission committed to provide a \$240,000 performance-based grant. A total of \$48,000 in customized job training funds were also committed over a two year period.

Based upon information indicating that The NorthFace, Inc. would be required to restate its financial statements (determined after the commission’s initial approval), the commission voted to place this commitment on hold until the restated financial statements were submitted for review and approval. Additionally, the commission requested that the company address potential liabilities, including shareholder lawsuits, incurred as a result of the restatements.

Following the restatement of The NorthFace, Inc.'s financial statements, there was a material change in the individuals holding upper management positions within the company. In December 1999, the company issued a press release indicating that it would be moving its corporate headquarters back to California. Commission funds were never disbursed for this project. The EDC application is considered withdrawn.

8. **Agricultural Feasibility Studies, Statewide** - The EDC provided a \$45,000 grant to the Department of Agriculture for the Agricultural Feasibility Studies.
  - A. **Colorado Micromalting, San Luis Valley** - This study was supported with \$10,000 of EDC funds and \$10,000 from local sources. Findings were that the state has well developed barley resources along with established microbrewing markets. The San Luis Valley is highly productive in growing barley and spring wheat.

Using the demand base provided by Colorado microbrewers, the project is based on the establishment of a small-scale (6,000 metric tons malted annually) environmentally responsible malting plant, providing barley malt at competitive prices. Wheat and specialty malting could be added at a later time. The study underlined the brewing industry's interest as well as the quality and cost efficiencies of such a project. Rates of return for eventual private investors remain in the lucrative 10-15% range.

- B. Rocky Mountain Cidery, Palisade** - This project studied the feasibility of fermenting pear and apple juice purchased from Talbott Farms in Palisade to make hard cider. Pinnacle Gold Hard Pear and Hard Apple Cider, produced by Rocky Mountain Cidery, has been well received in Colorado, which is currently the primary market. The market is wide open for expansion but requires on-going tastings, within and outside of Colorado, in order for consumers to become aware of the product. Pinnacle Distributing Co. is also displaying and promoting the cider. Promotional literature is being distributed through business establishments and hotels throughout the Western Slope. The study was funded with \$15,000 from the commission and \$15,000 local contributions.
  
- C. Yampa Valley Beef Processing, Routt County** – This project assessed the opportunity of marketing local grazed and processed beef. The project processed two types of livestock for two different market segments. Eight head of grass fed cows were butchered and processed into ground beef for hamburger patties. An additional 13 grain fattened steers and heifers were butchered and processed into premium meat “gift bundled”. There was a direct increase of 21 head of cattle for slaughter which equated to \$6,330 in new business for the processor. The owner of the plant, therefore, would like to continue with a locally labeled beef product. Barriers to continuing operations include: processing costs must be lowered to be more competitive with existing food distributors, and the processor and local beef suppliers must find additional higher value meat products and processing efficiencies for the project to be sustained. The study was funded by \$5,000 from the EDC and \$5,000 in local contributions.

### **Marketing projects Funded in 1998**

- 1. Motion Picture and Television Commission Marketing, Statewide** – The MPTV Commission received \$50,000 from the EDC for FY 99 activities. These included: production and distribution of MPTV's primary marketing piece, the Colorado Film Commission baseball hats; an advertising campaign targeted to independent film production and commercial production; and upgrading the website, including digitizing the photo library for placement on the website.



2. **Colorado Agricultural Products Logo Design, Statewide** - The Department of Agriculture Markets Division developed a new program and logo for Colorado grown products. The “Colorado Proud” program replaced the “Always Buy Colorado” marketing program which was developed in the early 1980's. The commission provided \$7,500 toward this effort, with an additional \$2,500 to be provided by the private sector. Funds were used to hire an advertising agency, develop a marketing campaign and produce an initial supply of promotional materials. Small advertising agencies were unwilling to contract for the project due to the amount of funding available. The strategy was modified for development and implementation of the marketing program in-house, using state personnel and resources. The Colorado Proud logo was developed and a marketing campaign was launched. Approximately 50 Colorado companies have signed up to participate in the program.

### **Special Projects and Activities Funded in 1998**

1. **Colorado Credit Reserve Plus, Statewide** - The Colorado Credit Reserve Program (CCR), administered by CHFA, was established in 1993 and received its initial funding from the EDC. Colorado Credit Reserve Plus (CCR+) is a program targeted specifically to women- and minority-owned businesses. CCR and CCR+ are pooled loan reserve programs which allow for the creation and growth of a reserve account established at participating private lenders. The program fills a financing gap for small businesses by providing a risk sharing vehicle for working capital and lines of credit that the Small Business Administration does not address. Since its inception, the CCR program has registered 321 loans totaling \$14.9 million and has assisted businesses to create or retain approximately 2,117 Colorado jobs. To ensure continuation of the CCR+ program, the commission approved a \$150,000 grant in 1998 which will support \$7.5 million of loans over the next three to five years. During 1999, CCR lenders registered 71 projects totaling \$5.1 million in loans. The average loan amount is \$72,983. Of the 71 loans, sixty-four or ninety percent were made to women- and minority-owned businesses. These loans assisted in creating 51 new jobs and retaining 291 jobs.
2. **Defense Conversion Projects**
  - A. **Defense Impacts Study, Statewide** –The Defense Conversion and Retention Council received funding for a study designed to determine the impact of Department of Defense dollars on the Colorado economy. Anticipating that future base closures and military downsizing will continue to occur over the next five years, the state and individual communities needed to know the importance of military dollars in their area and the potential impact of the losses. The commission provided \$50,000 for the completion of this study. The Defense Conversion and Retention Council contracted with KPMG, LLP to conduct the economic impact study for the defense and aerospace industry.

The study showed that, according to the Federal Expenditures Report produced by the Department of Commerce, the Department of Defense spent \$4,862 million or 2 percent of its total FY 97 dollars in Colorado. Colorado's procurement awards dropped from 2.4 percent in FY 94 to 1.8 percent in FY 97. Despite the decrease in defense spending in the state, Colorado has continued to thrive. As new jobs are created in Colorado, the economy is becoming more diversified and less dependent on defense spending. However, Colorado should not become complacent regarding its defense impact. Despite base closings and scheduled closings, the state continues to provide a substantial amount of support to the nation's defense. Colorado is still among the top twenty states in the nation to receive defense dollars and can attribute its position in large part to the space industry, which conducts missions at all military bases except Fort Carson.

- B. Rocky Mountain Arsenal: Quebec Street, Commerce City** - As the Rocky Mountain Arsenal continues its transformation into the Rocky Mountain National Wildlife Refuge and Commerce City moves forward to convert the western portion of the Arsenal into a community amenity, the future alignment of Quebec Street is a critical factor to create economic development activities.

The EDC approved funding in the amount of \$50,000 which was used by a traffic engineering specialist to look at the alignment of Quebec street and how it interacts with adjacent transportation corridors and land uses. Commerce City received \$50,000 from the federal Office of Economic Adjustment for the project and Commerce City will spend in excess of \$1 million on the overall project.

Based on discussions with the affected agencies/entities and how well the alternative alignments meet existing and future land use and transportation needs, the following alternative was chosen as the preferred alignment – to improve Quebec Street along its existing alignment from I-270 to north 56<sup>th</sup> Avenue. From north 56<sup>th</sup> Avenue to 66<sup>th</sup> Avenue, the alignment shifts east fifty feet to provide a buffer for the residential areas along existing Quebec Street. North of 66<sup>th</sup> Avenue, the alignment shifts further east to align with Rosemary Street north of State Highway 2. An extension of Spruce Street from I-270 to 56<sup>th</sup> Avenue is another feature of this alternative.

3. **Southwest Colorado Telecommunications Study, Multi County** - The commission provided \$25,000 to Region 9 Economic Development of Southwest Colorado, which was matched by \$35,000 in local funds, to conduct two projects: the FiberCom Feasibility Study and the Cortez Internet Local Loop Feasibility Analysis. The region faces problems with existing telecommunications capacity and services which have become obstacles to attracting economic development projects. The funds assisted in determining alternative solutions for improving the telecommunications infrastructure in the area.

The objective of the study was to identify and quantify current and future telecommunications usage and demand of state and local tax supported agencies in southwest Colorado. Data was collected for purposes of aggregating demand in anticipation of a potential group purchase of telecommunications services by state government, and the possibility of combining local telecom purchases with the state's telecom purchases.

Using data collected, the goal is to be able to solicit bids from alternative telecommunications providers to supply the telecommunications needs of five counties in Region 9 and provide connectivity to Denver, Grand Junction and Albuquerque, NM.

4. **Yampa Valley Telecommunications Study, Multi County** - Northwest Colorado also faces problems with existing capacity and services as well as with attracting investment in improved telecommunications infrastructure. The EDC provided \$15,000 to Yampa Valley to complete a telecommunications study. The funds were to be used to assist Yampa Valley Economic Development Council contract with Media Management Services, Inc. to develop a public/private partnership analysis for infrastructure development and to craft a solution to telecommunications inter- and intra-connectivity in rural northwest Colorado. Over \$95,000 in cash and in-kind contributions were provided for the project. The total cost of the project was \$176,430. The study determined that there are two alternatives that meet northwest Colorado's needs for greater telecommunications connectivity and bandwidth. These are: 1) to encourage telecommunications competitors to enter the market and provide advanced telecommunications services; and 2) to encourage US WEST Communications to invest in the region and upgrade its network and switching systems to provide greater connectivity and enhanced services.

Consideration of the factors and analysis of each of these alternatives led to the conclusion that introduction of telecommunications competition in northwest Colorado provides the best means to improve the overall telecommunications infrastructure in the three-county area.

5. **Biomedical Industry Study, Statewide** – The EDC provided \$7,500 to Colorado Venture Centers, Inc. which was matched by \$15,000 from the City of Lakewood and \$7,500 from the Colorado Advanced Technology Institute, to conduct a comprehensive study of the biomedical industry in Colorado. The study determined that over 18,000 individuals are employed by this industry, which contributes approximately \$5.8 billion dollars to the Colorado economy. Biomedical executives are reasonably satisfied with Colorado’s business climate, but noted a lack of venture capital in the state for this industry and expressed concern about the state’s tight labor market.
6. **Metropolitan Stadium District, Statewide** - Commission funding was utilized to assist with the district’s operations, including completing design activities, developing the finance plan and other related tasks. S.B. 98-171 allowed the district to receive funding from the EDC. The commission provided a \$100,000 loan to the district, which was matched by \$100,000 raised by the Denver Metro Chamber. The \$100,000 loan was repaid in full in 1999 when the district collected revenues.
7. **1999 World Alpine Ski Championships, Statewide** – The EDC provided \$155,000 to the Vail Valley Foundation to support the 1999 World Alpine Ski Championships, a biennial event held between Olympic competition years. This is a premier international event attracting national and international athletes, media and spectators. EDC funds were used to establish an international broadcast center, to host a reception for the international press, a reception with the Governor and to market the state’s tourism industry. The total revenue budget for the event exceeded \$20 million.
8. **Mid-America Manufacturing Technology Center, Inc. (MAMTC), Statewide** - MAMTC-Colorado requested a one-time grant to serve as a portion of the non-federal matching funds required to access federal funds for the project. The program assists small manufacturing companies to modernize their operations. The commission approved a \$250,000 challenge grant to be funded upon evidence of matching private funds for the project. MAMTC secured other non-federal matching funds totaling \$159,262. EDC funds were matched dollar-for-dollar. The \$90,738 unspent balance was returned to the Economic Development Fund. MAMTC placed six field engineers throughout Colorado who worked directly with small manufacturers. Over 600 individuals participated in MAMTC workshops and seventeen technical assistance projects were completed.

9. **Colorado Legislative Council Personal Property Tax Study, Statewide** - The Colorado Legislative Council requested \$50,000 from the EDC in order to collect personal property tax assessed valuation data from county assessors. The study was intended to allow the Legislature to determine the specific impacts of any reduction in personal property taxes to local governments, school districts and special districts. This commitment by the commission was approved by the Joint Budget Committee prior to funding. The data collection phase of the personal property tax project is complete. Legislative Council hired a contractor to collect the data for their office. The total expenses of the project were \$23,310. During the data collection process, Legislative Council obtained information on the assessed value and the associated mill levy for each tax district.