COLORADO ECONOMIC DEVELOPMENT COMMISSION

ACTIVITY REPORT 2003

Office of Economic Development and International Trade
February 2004

S T A T E O F C O L O R A D O

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Bill Owens
Governor

F. Robert Lee
Director

February 27, 2004

Members of the Sixty-Fourth General Assembly:

On behalf of the Colorado Economic Development Commission (EDC), I am pleased to present you with the commission's Activity Report for 2003. The report contains information on projects supported by the EDC in CY 2003, as well as the status of initiatives funded in CY 2002.

Over the past year, the EDC emphasized business and job retention efforts throughout the state and also focused on identifying emerging industries and opportunities. The commission supported local communities' efforts in attracting a variety of significant businesses. These include Owens-Brockway in Weld County, Sirenza in Broomfield and In-Situ in Fort Collins. Support for small businesses and rural areas remained a priority for the EDC in 2003 through the provision of matching funds for Enterprise Zone marketing and the Colorado Alliance for Microenterprise Initiatives.

In 2004, the commission will continue to support statewide economic development activities and to collaborate with communities to support their priorities and opportunities. The EDC is committed to assisting these communities retain and create jobs and to strengthen Colorado's economy.

We welcome your comments on this report. On behalf of the EDC, I want to thank Governor Owens and members of the General Assembly for your ongoing support and guidance.

Sincerely,

William T. Sisson
Chairman
Colorado Economic Development Commission

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COMMISSION MEMBERS

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Robinson Dairy
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PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2003				
PROJECT	**AREA**	**EDC $**	**OTHER $/ SOURCE**	**STATUS**
DoubleClick, Inc.	Adams County	$271,000	$2,011,669 /Local $238,000 /Colorado First	Pending
Echostar	Douglas County	$250,000	$402,890 /Local $200,000 /Colorado First	Pending
Sirenza Microdevices, Inc.	Broomfield	$60,000	$88,420 /Local	Pending
In-Situ, Inc.	Fort Collins	$130,000	$130,000 /Local $26,000 /Colorado First	Pending
Adam Aircraft	Pueblo County	$448,000	$3,000,000 /Local $179,200 /Colorado First	Contracted
Equential Technologies	Clear Creek County	$80,000	$370,000 /Local $16,000 Colorado First	Withdrawn
Owens-Brockway Glass Container, Inc.	Weld County	$500,000	$1,054,094 /Local $60,000 /Colorado First	Pending
Metro Denver Sports Commission	Denver Metro Area	$25,000	$332,500 /Private	Contracted
Colorado Springs Sports Corporation	Colorado Springs	$25,000	$217,000 /Private	Contracted
United States Olympic Committee	Colorado Springs	$75,000	$178,000 /Private	Completed
CO Entertainment Industry Development Corp.	Statewide	$100,000	$100,000 /Private	Pending
CO Alliance for Microenterprise Initiatives	Statewide	$275,000	$255,000 /Local & Private	Pending
US Air Force Space & Missile Systems Relocation Study	Colorado Springs	$100,000	$100,000 /Private	Pending

PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2003				
PROJECT	**AREA**	**EDC $**	**OTHER $/ SOURCE**	**STATUS**
World Trade Center International Training	Statewide	$30,000	$60,000 /Private	Contracted
Statewide Business Retention Program	Statewide	$40,000		Pending
Emerging & Targeted Industry Study	Statewide	$50,000	$50,000 /Local	Contracted

PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2003				
PROJECT	**AREA**	**EDC $**	**OTHER $/ SOURCE**	**STATUS**
Adams County EZ Marketing	Adams County	$12,500	$12,500/EZ	Contracted
Arapahoe County EZ Marketing	Arapahoe County	$9,500	$9,500/EZ	Pending
Denver EZ Marketing	Denver	$12,500	$12,500/EZ	Pending
East Central EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
El Paso County EZ Marketing	El Paso County	$9,500	$9,500/EZ	Contracted
Greeley/Weld County EZ Marketing	Weld County	$12,500	$12,500/EZ	Pending
Jefferson County EZ Marketing	Jefferson County	$9,500	$9,500/EZ	Pending
Larimer County EZ Marketing	Larimer County	$9,500	$9,500/EZ	Pending
Mesa County EZ Marketing	Mesa County	$25,000	$25,000/EZ	Pending
Northeast EZ Marketing	Multi County	$25,000	$25,000/EZ	Contracted
Northwest EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
Pueblo County EZ Marketing	Pueblo County	$12,500	$12,500/EZ	Contracted
Region 10 EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
San Luis/Upper Ark. EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
South Central EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
Southeast EZ Marketing	Multi County	$25,000	$25,000/EZ	Pending
Southwest EZ Marketing	Multi County	$25,000	$25,000/EZ	Contracted
Upper Arkansas EZ Marketing	Multi County	$25,000	$25,000/EZ	Contracted

INTRODUCTION

During 2003, the Economic Development Commission (EDC) continued to support communities and businesses throughout Colorado. As required by statute, the overall goal of the commission is to retain and create quality jobs and help to strengthen the economy. As the report indicates, the EDC supported a number of strong business opportunities that created hundreds of quality jobs throughout the state.

A number of important studies also received support from the commission. These include an emerging industries study, which is designed to assist all counties in identifying business and industry opportunities in their area, and a U.S. Air Force space-related study that could result in strengthening Colorado's space industry even further. A number of important sports activities, such as the United States Olympic Committee and the Metro Denver Sports Commission, also received matching funds.

The EDC continued to carry out its statutory responsibilities related to the Certified Capital Companies (CAPCO) program and to Business Incentive Agreements. The commission heard four requests for CAPCO waivers and reviewed two BIAs.

The following table provides a general breakdown of EDC projects in 2003:

Region	**Number of Projects**	**Percentage of Total Projects**
Rural	10	29%
Statewide	4	12%
Urban	20	59%
Total for Year	**34**	

This report also includes information on enterprise zone economic conditions and tax credit activity, which is required to be reported annually to the General Assembly pursuant to C.R.S. 39-30-103.

New Initiatives: Projects Funded by the EDC in 2003

During 2003, the EDC worked with communities, businesses and local economic development organizations in an effort to strengthen the state's economy. The focus continues to be on the retention and creation of quality jobs for Coloradans. The EDC participated in initiatives that support business relocations in urban and rural areas, small businesses and emerging industries.

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. **Double Click, Inc., Adams County** -- Double Click, Inc. (DCI) began operations in 1996 and is currently headquartered in New York, with 1,100 employees worldwide. The company is a provider of Internet marketing products and services used by direct marketers and web publishers. Double Click helps companies plan, execute and analyze web-based marketing programs, including on-line advertising, email marketing, database marketing and research, and marketing analytics.

   In 1999, Double Click merged with Broomfield's Abacus, where 275 people are now employed. In 2001, the company purchased a 105,000 square foot data center in Thornton. DCI plans to consolidate its operations from New York and Toronto to a new headquarters location in Thornton. Double Click anticipates creating 271 net new jobs in Thornton over the next four years, with an average wage level of $60,000, which compares favorably to the average wage for Adams County.

   The Adams County Economic Development Council and the City of Thornton have committed $2,011,669 in personal property tax rebates and use tax rebates to the project. Colorado First and Existing Industry job training funds in the amount of $238,000 have also been committed. The Economic Development Commission approved a $271,000 performance-based grant based on the creation of 271 net new jobs at the Thornton facility over the next four years.

2. **Echostar, Douglas County --** Echostar was formed in 1993 and began offering subscription television services on the DISH network in March 1996. Today, the company has more than 8 million subscribers, more than 14,500 employees worldwide and is a Fortune 500 company. Echostar is a leading provider of satellite delivered digital television entertainment services across the U.S. Currently, Echostar has 4,500 employees in Colorado with its headquarters located in Littleton. The company has acquired the former Merrill Lynch campus in Douglas County. The facility is more than 380,000 square feet and Echostar anticipates spending in excess of $47 million to support this expansion. Echostar projects creating 500 net new FTE at this location by June 30, 2006, with an

average annual wage of $47,180. This wage level compares favorably to the average wage for Douglas County. The company will retain ownership of its Littleton facility for the immediate future. Douglas County has committed $402,890 in personal property rebates, and a school district tax rebate is also being offered. However, the school district tax rebate is not part of the matching funds for this project. Colorado First and Existing Industry job training funds in the amount of $200,000 have also been committed. The Economic Development Commission approved a $250,000 performance-based award contingent on the creation of 500 net new full-time jobs by June 30, 2006.

3. **Sirenza Microdevices, Inc., Broomfield** -- This micro device engineering and design company produces cell phone components for the public and military sectors. Originally based in Silicon Valley, California, Sirenza has now established new headquarters in Broomfield. Following the company's acquisition of Vari-L, a Denver-based micro devices manufacturing company, Sirenza moved headquarters to Interlocken in Broomfield. Sirenza initially considered moving some manufacturing operations from Arizona, closing Colorado operations and moving them to Arizona. The relocation of Sirenza's headquarters will create 60 new positions and allow for the retention of an additional 160 employees. On average, the estimated wage level for the new jobs will be $45,000, which is higher than the Denver metro average wage level. The Broomfield Economic Development Corporation and the City and County of Broomfield have committed $88,420. The Economic Development Commission approved a $60,000 performance-based award to Sirenza Microdevices to create 60 new jobs in Broomfield.

4. **In-Situ, Inc., Fort Collins --** In-Situ is a leading manufacturer of technically advanced environmental and water quality instrumentation. The company is located in Laramie, Wyoming and sells to government and private entities in more than 50 countries. In-Situ's equipment has become the standard relied upon in the global water market. Its products are used throughout the environmental industry, as well as by numerous city, state and federal agencies and departments. The company wants to relocate to a facility that will accommodate quick growth, allow all employees to be in a central location, and provide close proximity to suppliers and vendors. In-Situ has identified a location in Fort Collins that will meet its requirements. The company anticipates creating 65 new jobs by September 20, 2005 with an average wage level of $42,000. This wage level is significantly higher than the average wage rate for Larimer County. The City of Fort Collins and the Northern Colorado Economic Development Corporation are contributing $130,000 to the project as local matching funds. The company has also received a commitment of Colorado First job training funds in the amount of $26,000. The EDC approved a performance-based award of $130,000 to In-Situ based on the creation of 65 new jobs in Colorado.

5. **Adam Aircraft, Pueblo County** – George Adam, Jr. created Adam Aircraft (AAI) in 1998 and designed the twin-engine piston A500. Currently, AAI is located near Centennial Airport and has approximately 100 employees, with an annual payroll of $6 million. The company plans to develop an entire family of aircraft, including the A600 turboprop and A700 twinjet. To date, the company has more than 35 customer deposits for the A500. Adam Aircraft estimated that an additional 20,000 square feet of space would be required for the assembly of the first 20-25 A500s. The company decided on a location at Pueblo Memorial Airport for its first expansion and plans to create 448 jobs over the next three years at an average salary level of $28,538, excluding benefits. This compensation level compares favorably with the overall industry average for Pueblo County. The Pueblo Economic Development Corporation committed $3 million to this project as local matching funds, and $179,200 in Colorado First Job Training funds have been secured. The Economic Development Commission approved a $448,000 performance-based grant contingent on the company receiving FAA certification and creating 448 jobs over three years.

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

1. **Equential Technologies, LLC, Clear Creek County --** Equential Technologies began operations in Kansas in 1999. The company designs and markets software that extends the usefulness of Enterprise Resource Planning (ERP) systems in the workplace. ERP systems offer companies high-tech operational tools, which manage various aspects of business, such as sales, production and accounting. The company identified a potential site in Clear Creek County that is suitable for its relocation and expansion. Equential anticipated creating 40 jobs by the end of 2004 and relocating 8-11 employees. The average salary is projected to be $63,000. The Clear Creek Economic Development Corporation committed $370,000 in local matching funds for this project. A maximum of $16,000 in Colorado First Job Training funds, as well as a $200,000 CDBG RLF loan and a $100,000 non-CDBG loan were also discussed. Clear Creek's objective is to diversify its economic base by bringing modern, growing companies and industries into the area. The Economic Development Commission approved an $80,000 performance-based grant contingent on the company securing the additional financing needed for this project, materially locating in Clear Creek County and creating 40 full-time jobs over the next two years. Since Equential was not able to meet the conditions of this award, the state has sent a letter stating that the EDC's commitment is now null and void. However, the EDC encouraged Equential to resubmit a request at a later date when sufficient financing for this project has been obtained.

2. **Owens-Brockway Glass Container, Inc., Weld County --** Owens-Brockway Glass Container is a subsidiary of Owens-Illinois, a leading manufacturer of glass and plastic packaging products. In existence for over a century, Owens-Illinois has over 140 manufacturing plants on five continents. End uses for the company's packaging items include food and beverage, household, chemical automotive, personal care, health care and prescription products. Anheuser-Busch recently awarded Owens-Brockway a 10-year contract to produce glass bottles for the Anheuser-Busch Fort Collins plant. As a result of the contract, Owens-Brockway needs to locate a glass bottle manufacturing facility in the Fort Collins area. Owens has identified an 89-acre site in rural Weld County, east of Windsor as the preferred Colorado location. Owens also considered the possibility of building its plant in Cheyenne, Wyoming. The company's plans include the construction of a 545,000 square-foot facility employing up to 150 FTE. The creation of these positions will take place over the next two years. The average proposed wage level for the new jobs is $49,781, considerably higher than Weld County's average wage. Weld County and the City of Windsor have committed $1,054,094 in local matching funds to the project. In addition, Colorado First and Existing Industry job training funds have been committed to the project in the amount of $60,000. The Economic Development Commission has approved a performance-based grant of $500,000 to Owens-Brockway contingent on the company creating 150 new jobs.

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. **Metro Denver Sports Commission, Denver Metro Area** -- The Metro Denver Sports Commission was created in 2002 to attract premier amateur and collegiate sporting events to Colorado and the Denver Metro area. The commission is a non-profit corporation comprised of business, university and sports leaders from throughout the metro area. The Metro Denver Sports Commission recently won a bid to host the 2008 NCAA Frozen Four. In 2002, the EDC provided a $25,000 matching grant to the commission. The original proposal was for three years of funding from the EDC to be considered on an annual basis. This is the second year funding request. Partner revenue is projected at $232,500, membership revenue is estimated at $50,000 and two special events are expected to net a total of $50,000. The EDC awarded the Metro Denver Sports Commission a $25,000 matching grant for the second year of up to three years.

2. **Colorado Springs Sports Corporation, Colorado Springs --** The Colorado Springs Sports Corp. is a non-profit organization whose goal is to attract, support and retain the numerous national and international sports organizations and businesses now based in Colorado Springs, including the U.S. Olympic Committee. These organizations and businesses are estimated to contribute 1,500 jobs and $150 million per year to the Colorado Springs economy. The Sports

Corp. also takes the lead in bidding for and hosting regional, national and international sports events that positively impact the state economically. The Sports Corp. requested a $25,000 grant for three years to support their efforts in bringing events to the area. Private sector contributions include: $195,000 El Pomar Foundation; $12,000 AT&T Wireless; $10,000 Kraft/Nabisco. The EDC provided matching grant of $25,000 for this program.

Objective B: Develop and support special projects and activities.

1. **United States Olympic Committee, Colorado Springs** -- There have been efforts to move the United States Olympic Committee (USOC) headquarters and main training center from Colorado Springs. There are nearly 500 people employed at the Colorado Springs USOC facilities. A 1998 study reported that Olympic-related sports accounted for 1,020 jobs and contributed more than $315 million to the local economy. Sports-related marketing in Colorado Springs alone should generate more than $32.5 million in travel revenue in 2003. There are more than 20 national Olympic sports organizations based in Colorado Springs. The USOC is celebrating its 25th anniversary. A request was made to the EDC to support the USOC remaining in Colorado Springs through a sponsorship of the 25th anniversary celebrations. Other funding sources include: El Pomar Foundation $6,000; Acordia $18,000; Remax International $36,000; Hogan & Hartson $6,000; and individual contributions totaled $112,000. The EDC approved a $75,000 matching grant to support the United States Olympic Committee remaining in Colorado Springs.

2. **Colorado Entertainment Industry Development Corporation, Statewide --** During the 2003 legislative session, funding for the Colorado Film Commission (CFC), which had been in existence since 1969, was eliminated. Three commission FTE were transferred to the Colorado Tourism Office in FY 03.

   In 2002, $30,385,061 was spent in the state on production by companies working with or tracked by the film commission and local film offices. Filming tracked by the CFC occurred in 40 of Colorado's 64 counties. In order to continue to market Colorado as a location for filming and to further develop the entertainment industry in the state, the industry has established a public-private partnership, called the Colorado Entertainment Industry Development Corporation (CEIDC). The partnership was formed with the film industry, local municipalities and the State of Colorado. The organization will be funded by private sources and with transition funding from the Economic Development Commission, which will be allocated only after private sector funds are secured. Once fully operational, the CEIDC will provide the following: marketing, support services for production, support for local industry including job creation, growth through new economic development measures and education. The challenge matching grant from the EDC will help establish the CEIDC. Their goal is to raise $100,000 - $300,000 in private sector funds. The Economic Development Commission awarded the CEIDC a challenge grant of up to $100,000.

3. **Colorado Alliance for Microenterprise Initiatives (CAMI), Statewide --** CAMI requested funding from the EDC to establish a Colorado Access to Capital Program, which is designed to stimulate microenterprise development activity throughout the state. Funding will be sub-granted to microenterprise development organizations under a competitive RFP process. The targeted organizations will be revolving loan funds, chambers of commerce, business associations and other entities with the capability of redistributing the funds to underserved businesses within the respective community. EDC funds ultimately will fill a lending gap by providing loans to businesses that do not meet standard underwriting criteria due to a lack of collateral, limited credit history and/or limited performance history, thereby creating jobs, increasing private income and generating public tax revenues. The EDC approved a grant of $275,000 for this program contingent upon $255,000 in local/private matching funds being secured.

4. **United States Air Force Space & Missile Systems Organization Relocation Study/Plan, Colorado Springs --** This project will study a possible consolidation of the Air Force Space and Missile Systems Organization in Colorado Springs. In 2001, the U.S. Air Force took a major step in centralizing its military space power under one command. While not establishing a U.S. Space Force per se, the action unified Air Force military space operations by making part of the Space and Missile Systems Center in Los Angeles, CA part of the Air Force Space Command in Colorado Springs. Colorado is ranked as having the fourth largest space and defense related industry in the country. If the U.S. Air Force relocates the Air Force Space and Missile Systems Organization, nearly 5,000 new jobs could be created in Colorado Springs. Such a consolidation decision can only be made based upon an analysis that provides a business case to support the relocation. Private contributions totaled $100,000 for the project. The EDC provided a $100,000 matching grant for this study.

5. **World Trade Center International Training, Statewide --** The World Trade Center in Denver has worked with the Metropolitan State College since 1990 to offer specific “hands-on,” non academic international trade training classes. These classes provide Colorado’s international businesses with the training necessary for their export operations, thereby allowing them to grow sales revenue. There are no comparable programs in the Rocky Mountain region. Unfortunately, Metro State had to eliminate this program because of a regulation created by the Colorado Commission on Higher Education. The World Trade Center established the Rocky Mountain World Trade Center Institute, a 501(c)(3) to provide the framework to continue this program. The matching grant was awarded in May. Since the World Trade Center does not offer its regular class schedule in the summer, classes commenced in October. From October through December, these programs trained 170 participants in eleven classes. The World Trade Center anticipates training approximately 500 additional people through the winter and spring 2004.

Colorado exported approximately $6 billion in products during 2003, providing a significant economic benefit to the state's economy. The World Trade Center contributed $60,000 for this project. The Economic Development Commission provided a $30,000 matching grant for this program to assist the World Trade Center Institute through this transitional period.

6. **Statewide Business Retention Program, Statewide --** More than 76,000 jobs have been lost in the past two years in Colorado, creating the need for a business retention program. Studies have proven that it takes eight times the resources to attract a new job than it takes to retain or grow jobs. Studies also show that 60 to 80 percent of future job growth comes from the expansion of existing business. A survey of economic development organizations in the U.S. indicated that 67 percent have some type of retention program. The Economic Development Commission is supporting a statewide business retention effort and purchased e-Synchronist software, which includes software, Internet portal, database management, technical support, training, work flowchart, document templates and assistance on primary employer visits. Colorado communities are partnering with the state and have access to this software. Partnering communities provide a list of primary employers, enter data on site interviews and generate reports. Communities are provided an incentive to participate because 50 percent of their costs are refunded once 10 percent of primary employer interviews are completed. The EDC provided a $40,000 grant for the Community Business Retention Program.

7. **Emerging and Targeted Industry Study, Statewide --** The Emerging and Targeted Industry Study is a new economic development tool designed to help local communities understand their present economic base and identify future growth sectors. It is the first study of its kind in Colorado that provides research for and an analysis of every county. The analysis identifies strengths in local communities to better target resources in order to help create jobs. Through a combination of research and expert opinion, the study examines a set of industries that has potential at the local, regional and state levels. Although communities are aware of their existing industries, many are less aware of potential industries that should be targeted. The study is a new tool for local economic developers and is especially beneficial to rural communities. Economic growth opportunities and vulnerabilities of each Colorado county were identified in an effort to help focus limited resources on the local level. More than 150 individuals from various key industries and community economic developers participated in this study. The local match for this program totaled $50,000. The EDC provided a $50,000 matching grant for this study.

Objective C: 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 2003, the commission allocated a total of $338,000 to enterprise zones for the continuation and expansion of their marketing activities. This amount was divided among the zones in matching grants, with the majority going to assist rural zones.

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. The zones supported local small business incubators' recruitment and publicity programs, and 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 support publications, brochures and magazines that feature the zones’ tourist attractions, as well as their business development opportunities.

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

The General Assembly has given the commission responsibilities for the following 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 that no longer met the statutory economic distress definitions. The General Assembly, in H.B. 02-1399, repealed the timetable for the commission to conduct another comprehensive review of zone boundaries, in order not to send a negative message regarding investment incentives during the state's economic downturn. During 2003, the commission approved 6 requests for amendments to zone boundaries, including two which deleted as well as added areas to the zone, to reflect changes in land use and local economic conditions.

B. **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 that promote job creation and retention, and employment for the homeless in enterprise zones. In 2002, the General Assembly (H.B. 02-1161) added community development projects to the categories of eligible purposes beginning in 2003. Pursuant to the statute, the commission must review and approve any new or changed project proposals. During 2003, it approved 50 new projects, including 26 community development projects, for a total of 331 active projects.

IV. CAPCO Program Responsibility: In 2001, the EDC was given new statutory authority regarding one aspect of the recently approved Certified Capital Companies (CAPCO) program. If a Certified Capital Company wants to invest in a business that does not meet all of the eligibility requirements under the CAPCO statute and regulations, the CAPCO may ask that the EDC review the specific business and provide additional consideration.

The EDC has been authorized to recommend approval or denial of such businesses to the Director of the Colorado Office of Economic Development (OED). Specifically, the EDC must make a determination that the specific business would further the economic development of the State of Colorado.

The CAPCO Program received its funding from insurance companies in April 2002, which was made possible by the issuance of premium tax credits by the State of Colorado. In 2003, 4 specific businesses (that did not meet the CAPCO program statutory and regulatory requirements) were reviewed by the EDC as follows:

1. **Equential Technologies, LLC (Equential), Wichita, Kansas – proposed by Advantage Capital Colorado Partners I, LP (Advantage) –** Equential, currently headquartered in Kansas, provides mobile solutions that expand the power and scope of enterprise resource, customer relationship management and industry specific enterprise systems through a seamless integration between enterprise systems and handheld devices. Equential proposed moving from Kansas to Colorado and relocating 8-11 employees with above average annual wage rates. Additionally all new hires were to be based in Colorado, with a total of 40 new jobs projected by December 31, 2004. The EDC recommended that Equential not be considered eligible to receive funding from Advantage, a Colorado Certified Capital Company, since the EDC did not have the legal authority to ensure that Equential relocated to Colorado if it received this funding. Therefore, OED did not approve Equential as an eligible business to receive this funding. However, the EDC encouraged Advantage to resubmit this request for consideration if Equential relocated to Colorado using other projected funding sources.

2. **HomeSphere, Inc. (Homesphere), Golden – proposed by Enhanced Colorado Issuer, LLC (Enhanced) –** Homesphere, headquartered in Colorado, is a leading provider of services and software to the residential construction industry. Homesphere had 14 employees located in Colorado and 18 in other states. The company's average annual compensation was above average for its employees. The EDC recommended that Homesphere be considered eligible to receive funding from Enhanced, a Colorado Certified Capital Company. OED approved Homesphere as an eligible business to receive this funding. Enhanced has reported that they have not yet provided funding for this business since they are still in negotiations with the business.

3. **MeetingOne Corp., Denver – proposed by Enhanced Colorado Issuer, LLC (Enhanced) –** MeetingOne, headquartered in Colorado, provides users with infrastructure and communication applications in the conferencing industry. MeetingOne has 38 employees, 16 located in the US and 22 in France. The company pays an above average wage rate to its employees. The EDC recommended that MeetingOne be considered eligible to receive funding from Enhanced, a Colorado Certified Capital Company. OED approved MeetingOne as an eligible business to receive this funding. Enhanced has reported that they have not yet provided funding for this business since they are still in negotiations with the business.

4. **GolfTEC Enterprises, LLC (GTE), Greenwood Village – proposed by Enhanced Colorado Issuer, LLC (Enhanced) –** GTE, headquartered in Colorado, owns and operates high tech indoor golf instruction facilities and sells recreational golf instruction in a retail environment. GTE anticipates hiring up to 15 people to support growth of the company. The company pays an above average wage rate to its employees. The EDC recommended that GTE be considered eligible to receive funding from Enhanced, a Colorado Certified Capital Company. OED approved GTE as an eligible business to receive this funding. Enhanced has reported that they have not yet provided funding for this business since they are still in negotiations with the business.

V. Review of Business Incentive Agreements

Pursuant to H.B. 02-1399, the EDC was charged with reviewing proposed "Business Incentives Agreements" for personal property tax relief negotiated between school districts and new or expanding businesses. In the 2003 School Finance Act (S.B. 03-248), the General Assembly repealed the authority of school districts to enter into such agreements in the future (effective August 6, 2003).

Prior to the effective date of the repeal, during 2003, the EDC reviewed two BIA's: between Adams-Arapahoe School District 28J and General Motors Corp. - Service Parts Operations Division, for a new distribution facility in Aurora that would create 80 jobs; and between Pueblo County School District No. 70 and Adam Aircraft Industries, for a new manufacturing facility in Pueblo that would create 448 jobs.

Status of Projects Funded by the EDC in 2002

Business Expansion/Location Projects Funded in 2002

1. **Renaissance Mark, Inc., Denver** – Renaissance Mark, Inc. is a leading provider of specialty and premium labels to Fortune 1000 companies, primarily for the food, beverage, and health and beauty aid industries where high-quality graphics are in strong demand. Renaissance Mark currently employs more than 1400 people worldwide in 15 facilities, including 10 in the US, one in Canada, one in Mexico and three in the United Kingdom. Renaissance Mark, Inc. considered various locations, including Denver, for its new headquarters, which includes centralizing its information systems operations. The company would create up to 100 positions, including 15 existing personnel and a significant number of new or relocated employees within a five-year period. The base salary range is between $40,000 and $250,000 for the majority of headquarters staff. The City and County of Denver committed up to $160,000 for this project. The EDC awarded a $50,000 performance-based grant to Renaissance Mark, Inc. to create 100 jobs within five years at a minimum annual wage of $50,000.

   Renaissance Mark, Inc. considered several different locations for its headquarters, including Colorado. However, Renaissance Mark, Inc. recently notified the state that it has decided to locate its headquarters in Kentucky. Since Renaissance Mark, Inc. will not meet the conditions of the EDC's award, the state is in the process of notifying the company that this commitment is now null and void.

2. **Structural Component Systems, Inc., Weld County –** Structural Component Systems, Inc., which began operations in 1987, is a family-owned manufacturer of metal plate connected wood trusses headquartered in Nebraska. Structural Component Systems experienced a significant growth in its Colorado truss market and decided to expand its operations in the state. The company wanted to expand by locating a third plant in Greeley, Colorado. Structural Component Systems expects to employ 66 full-time equivalent employees with an average annual wage rate of $34,066, excluding benefits. Greeley and Weld County agreed to $62,928 in local match and personal property tax rebates for the project. The company received $48,448 in Colorado First training monies. The building in Greeley is located in an Enterprise Zone and the credits are estimated to total $145,600. The EDC provided a $132,000 performance-based grant for Structural Component Systems, Inc. in Greeley, contingent upon the creation of 66 jobs by June 30, 2003 at an average wage level of $34,066.

   Structural Component Systems, Inc. opened its Greeley truss manufacturing facility in May of 2002. By mid-June 2003, the company had created 66 jobs at this new facility with an average wage rate of $34,238 per year. The $132,000 EDC performance award was fully disbursed to Structural Component Systems, Inc. as of June 2003.

Projects in Rural Areas Funded in 2002

1. **Premier Roasters, LLC, Otero County** – Premier Roasters, LLC roasts, packages and sells branded and private label coffee in both ground and whole bean versions. The company began operations in April 1998 in California. Premier Roasters sought to relocate its facilities to La Junta. The City of La Junta purchased a 50,000 square foot building for this project, with a total commitment worth $1,115,000. Premier Roasters would lease the building from the city and had planned to create 40 jobs in La Junta over two years, with an average salary of $16,640. The EDC provided Premier Roasters with an $80,000 performance-based grant contingent on the company maintaining 40 jobs over five years.

   The EDC performance-based grant to Premier Roasters, LLC was contingent upon the company creating and maintaining 40 jobs over five years. The commitment was also contingent upon Premier Roasters, LLC meeting certain minimum financial performance ratios. To date, Premier Roasters has not met the minimum financial performance ratios or the job-related requirements. OED was informed recently that Premier Roasters will close its La Junta operations unless acquired by another party. Since Premier Roasters, LLC will not be able to meet the conditions of the EDC's award, the state is in the process of notifying the company that this commitment is now null and void.

2. **Neoplan US Corporation, Prowers County --** Neoplan US Corporation began operations in Lamar, Colorado in 1981. Neoplan is a leading manufacturer of transit and coach buses with transit buses being the company's primary focus. Neoplan also operates a parts and service division called Neoparts which is located in Pennsylvania. Market demand for new buses and reconditioning of buses are strong as the federal funding for mass transit programs continues to increase. Neoplan requested that the EDC provide $500,000 toward the amount of cash required for an adequate bonding capacity to allow Neoplan to secure sales for next year. If Neoplan does not receive adequate bonding capacity, the company will be forced to lay off a large number of employees in Lamar.

   The Southeast Colorado Enterprise Development, Inc. requested that the EDC participate in this project and supports the viability of Neoplan in Lamar. The local community has provided on-going support of Neoplan, including financial support from the City of Lamar and Prowers County, totaling $260,000. The EDC awarded Neoplan a performance-based loan of $500,000, contingent on the retention of 375 jobs for a 5-year period with a minimum average annual wage rate of $23,000 plus benefits. The loan terms include a clause specifying that graduated amounts of the loan will be forgiven if it is repaid early.

   In September 2003, Neoplan USA Corporation completed a debt restructuring, which included a significant amount of debt being written-off by its lenders. As a result of this material change in Neoplan's financial position, the company was notified that the EDC's commitment is null and void.

3. **Cumbres & Toltec Railroad, Conejos County** -- One of the Economic Development Commission's primary objectives is to provide assistance to the state's rural areas. Conejos County is one of the most economically depressed counties in the nation. With an employment base of 90 individuals, 22 of whom are full-time, and an annual payroll that exceeds $1.5 million, the Cumbres & Toltec Scenic Railroad is a critical component of the area's economy. In 2002, the State of New Mexico granted $440,000 to the railroad for six capital improvement projects. Colorado provided an FY 2003 General Fund appropriation of $170,000 and an additional $180,000 from the Colorado Historical Society Fund. The EDC approved a grant of $90,000 to support two of the six projects and to ensure a dollar-for-dollar match with New Mexico. Funds were used to complete rehabilitation of the passenger car fleet and to repair the depot at Antonito.

Marketing Projects Funded in 2002

1. **NE Colorado Economic Development Regional Marketing Alliance, NE Colorado --** The Northeastern Colorado Economic Development Region (NCEDR) and the Northeast Colorado Association of Local Governments (NECALG) collaborated on a variety of activities to promote economic development in northeastern Colorado. NCEDR includes Logan, Morgan, Phillips, Sedgwick, Washington and Yuma counties. NCEDR plans to use its existing alliance to implement additional marketing for new prospect lead generation and continue to build the image of NE Colorado as an attractive location for new business and industry. Fifteen percent of the marketing program includes joint regional marketing projects, including website maintenance with updated demographic profiles, a toll-free telephone number, printed collateral materials, promotion at industry-specific trade shows and targeted advertising. The balance of the program includes targeted marketing projects to be implemented in each county through sub-grants. Local contributions for this project include: Morgan County, $25,000; Phillips County, $16,500; Yuma County, $15,000; Logan County, $10,000; Sedgwick County, $5,000 and Washington County, $3,500; totaling $75,000 for this project. The EDC awarded a $75,000 matching grant to the Northeastern Colorado Economic Development Regional marketing alliance.

2. **Sangre de Cristo Marketing Partnership, San Luis Valley –** The Sangre de Cristo Marketing Partnership was designed as a new regional marketing alliance between Pueblo and the San Luis Valley to generate more primary employment leads and attract business through marketing and targeted site selector visits. The Pueblo Economic Development Corporation and the San Luis Valley Development Resources Group had pledged $50,000 each for a $100,000 match from the EDC. The economic development marketing program design included creating pro-business image tours, featuring the community and various cultural activities, as

well as creating economic infrastructure data and collateral materials for southeastern Colorado in order to generate leads. The EDC approved a $60,000 matching grant for the Sangre de Cristo Marketing Partnership to use for marketing purposes. In 2003, Pueblo and San Luis Valley economic development officials decided not to proceed with the program and the contract was withdrawn.

3. **Arkansas Valley Area Marketing Coalition, Arkansas Valley --** The Arkansas Valley Area Marketing Coalition requested a $50,000 matching grant from the EDC for regional marketing efforts. The coalition includes Bent, Kiowa, Prowers, Baca and Crowley counties, including the Southeast Colorado Enterprise Development Organization. This is the first time the area has partnered as a region. The region has been especially hurt by the economic slowdown, drought and decreased crop prices. The objective of the marketing program is to improve economic diversity and prosperity by generating leads for growth and development in the Arkansas Valley. The following contributions are being provided for this project: Bent County Development Foundation, $15,000; Kiowa County Economic Development Foundation, $15,000; Prowers County Economic Development Foundation, $7,500; Baca County Economic Development Commission, $7,500; and Crowley County, $7,500. The EDC awarded a $50,000 matching grant for the Arkansas Valley Area Marketing Coalition to develop a marketing and promotion program for the region.

4. **Department of Agricultural International Trade Promotion Program, Statewide --** The Agricultural International Trade Promotion Program (AITPP) assists Colorado food and agricultural companies to develop their international markets. The program helps companies develop overseas sales by participating in international trade shows, promotions and events. In 2002, the EDC awarded the Agricultural International Trade Promotion Program a $20,000 matching grant to assist in their marketing efforts. In the past year, 6 companies have utilized the AITPP grant program to assist with the market development efforts. Companies include food ingredient companies, brewing, specialty growing seeds, beef, and breed stock. The program has assisted these companies in expanding their markets in Mexico, Germany, Italy, and Canada.

5. **Department of Agriculture Colorado Proud Program, Statewide –**With the assistance of past EDC grants totaling $37,500, the Colorado Department of Agriculture has developed and marketed a new logo, "Colorado Proud," for identification and promotion of Colorado food and agricultural products. In 2002, the EDC approved a $20,000 matching grant to be used for a media campaign to continue to increase awareness of the Colorado Proud program. Colorado Proud companies have been encouraged to participate in co-op advertising opportunities in order to extend the reach of the advertising dollars. During the past year, Colorado Proud advertisements have been run on television in metro Denver and Grand Junction, on radio in Denver and Colorado Springs, and on outdoor billboards and buses. A survey conducted by Survey USA found that 51% of

people are very or somewhat familiar with the Colorado Proud logo and 42% remember seeing the logo on television.

6. **Metro Denver Sports Commission, Statewide** -- The Metro Denver Sports Commission, a non-profit organization that includes business, university and sports leaders from the metro area, was created to attract premier amateur and collegiate sporting events to Colorado and the Denver metro area. These events will showcase Colorado as a major sports community, provide outstanding media coverage and increase travel to the state. The EDC provided a $25,000 grant that matched grants made by the Denver Office of Economic Development and International Trade, the Denver Metro Chamber of Commerce, the Denver Metro Convention and Visitors Bureau, the Denver Broncos and Kronke Sports Enterprises. During 2002, the sports commission raised $225,000; formed sports committees for 2002 Men's NCAA rounds 1&2 and 2004, 2005 and 2006 Mountain West Basketball tournaments; established a Youth Development Committee; and began soliciting National Governing Bodies of sport to host events in the metro area. Current bid activities include: NCAA Hockey – 2005/2006 Regionals, 2007/2008 Frozen Four, 2005 USA Figure Skating and the 2005 USA Gymnastics Visa American Cup. Additionally, the metro area has been named a finalist for 2008-2010 NCAA Women's Basketball Final Four.

7. **Economic Development Commission Marketing, Statewide --** The EDC provided $100,000 to develop marketing and promotional activities that promote Colorado as an outstanding location to expand or relocate a business. Of this funding, $80,000 has been allocated for the development of a video-based production that will promote Colorado to prospective businesses as one of the nation's premiere states for business location. The vendor is providing scenic footage of the state; graphics, including 3-D animation; voice-over narration; and interviews with state officials and corporate CEOs, executives and other high-profile Colorado residents. The vendor is developing a generic 10-20 minute promotional CD-ROM that will be presented to foreign or out-of-state officials during travel visits as well as a generic 10-20 minute promotional production that will be presented on-site for corporate executives considering Colorado locations.

8. **Mexicana Airlines, Statewide –** The EDC awarded Mexicana Airlines a $500,000 marketing grant in 2002, matching a $1 million grant from the City of Denver, to assist in promoting and marketing a new daily non-stop flight between Denver and Mexico City. Daily non-stop international flights are powerful economic engines for the state, enhancing opportunities for the more than 475 Colorado companies that export to Mexico as well as Colorado's tourism industry. Mexicana has promoted the service through print, radio, publications, internet advertising, and promotions, in both the Denver and Mexico City markets. As a result, the load factor on the flight has increased despite the difficult market conditions facing all airlines.

Special Projects and Activities Funded in 2002

1. **Bio-Sciences Study, Statewide --** The Colorado Technology Alliance (CTA) and the Colorado Biotechnology Council requested a $50,000 matching grant from the EDC for a statewide analysis of Colorado's life sciences and biotech industry. The goal of the study was to determine Colorado's strengths and weaknesses in order to market the state as a top location for biosciences research and development. The CTA, Colorado Biotechnology Association, Colorado Institute of Technology (CIT), Metro Denver Network (MDN), Colorado State University, Colorado School of Mines and several local economic development organizations supported this project. The CIT contributed $75,000, the MDN contributed $20,000, and the Colorado Biotechnology Council provided $40,000 for this project. The EDC awarded a matching grant of $50,000. The study and plan entitled "Colorado's Place in the Sun: A Bioscience Future ~ An Action Plan to Grow Colorado's Biosciences Cluster" identified three strategies and 17 action steps to grow this industry in Colorado. In 2003, Colorado's "Director of Biosciences" was housed in the Office of Innovation and Technology.

2. **Colorado Space Advocate, Statewide --** In 1999, the EDC granted $250,000 to the United States Space Foundation, a national agency headquartered in Colorado Springs, for the development of a study to identify opportunities available to Colorado in space activities. The following three recommendations were included in the study: (1) creating a public/private "Space Advocate Office" within the Governor's Office of Innovation and Technology (OIT) or the Office of Economic Development and International Trade; (2) forging a partnership among the Space Advocate Office, the Space Foundation, the Colorado Department of Education, the space industry and Colorado colleges, universities and community colleges to increase the state's technology workforce; and (3) creating programs to retain Colorado's existing space-driven economic base, obtain a growing market share of new space-driven opportunities and create new space-driven enterprises. Based upon these recommendations, the space community requested funding to create the Office of Space Advocate in the Governor's Office of Innovation and Technology.

   The objective of the Office of Space Advocate is to retain and expand Colorado's growing role in space activities within the next decade by increasing market share, generating economic sustainability and augmenting the technical capabilities of the Colorado workforce. The EDC approved a $60,000 grant to help establish this office contingent on a 2:1 match. The space industry raised $100,000 and local organizations raised $46,000 for this effort over a three-year period. The Office of Space Advocate resided in the Office of Innovation and Technology in 2002 – 2003.

3. **International Chamber of Commerce 34th World Congress, Denver --** The International Chamber of Commerce (ICC) is a trade promotion and facilitation organization with over 7,000 members in 140 countries. Its primary focus is the advancement of open international trade and investment. The ICC hosts a "World

Congress" for international and government leaders throughout the world, including more recently Budapest and Geneva. Denver hosted the 34th World Congress in May 2002, the first time in 25 years that it had been held in the U.S. Hundreds of world leaders, CEOs from throughout the world, media and others attended this event. A variety of business events and networking activities provided Colorado-based companies with opportunities to meet with potential international business partners and to discuss Colorado's business advantages with delegates and the media. The EDC's $75,000 grant was used to support operations of the International Press/Message Center, sponsor a major luncheon event for the delegates and a VIP dinner at the Governor's Residence and to support other event activities. Funding from other entities and organizations was approximately $500,000.

4. **International Sports Federation, El Paso County –** The General Association of International Sports Federations is the international coordinating body for all international sports federations. It held its annual Congress and General Assembly in November 2002 at the Broadmoor Hotel in Colorado Springs, the first time since 1987 that the event had been held in the U.S. Total attendance at the Congress was approximately 700, with 500 leaders from the international sports world, representing almost 100 international sports federations, participating. According to the International Association of Convention and Visitors Bureaus, the economic impact of the event was approximately $500,000. The Congress, with a budget of approximately $400,000, was supported by funds totaling $225,000, at $75,000 each from the El Pomar Foundation, the U.S. Olympic Committee and the Broadmoor Hotel. The EDC provided a $30,000 grant to help support the event. These funds were used to cover costs related to the Colorado sports exhibition and media/public relations activities.

Certified Capital Companies (CAPCO) Program 2002

CAPCO Program Responsibility: In 2001, the EDC was given new statutory authority regarding one aspect of the recently approved Certified Capital Companies (CAPCO) program. If a Certified Capital Company would like to invest in a business that does not meet all of the eligibility requirements under the CAPCO statute and regulations, the CAPCO may ask that the EDC review the specific business and provide additional consideration.

The EDC has been authorized to recommend approval or denial of such businesses to the Executive Director of the Colorado Office of Economic Development (OED). Specifically, the EDC must make a determination that the specific business would further the economic development of the State of Colorado.

The CAPCO Program received its fund allocation from insurance companies in April 2002, which was made possible by the issuance of premium tax credits by the State of Colorado. In 2002, two specific businesses (that did not meet the CAPCO program statutory and regulatory requirements) were reviewed by the EDC as follows:

1. **Federation, Inc. (Federation), Englewood – proposed by Advantage Capital Colorado Partners I, LP (Advantage) –** Federation, headquartered in Colorado, provides a software solution that creates a network of cooperating servers that maintain product content repositories distributed across manufacturing organizations and their suppliers. Federation intended to employ 40 full-time equivalents worldwide in 2002 with an average annual wage of approximately $65,000, excluding benefits. Employment in Colorado was projected to reach 62 by year-end 2003 and 156 by year-end 2004. The EDC recommended that Federation be considered eligible to receive funding from Advantage, a Colorado Certified Capital Company. OED approved Federation as an eligible business to receive this funding. As a result of this approval, Advantage was allowed to proceed in providing CAPCO funding to Federation. Advantage has reported that it missed the funding round for this business that was completed in the fall of 2002.

   The CAPCO, Advantage Capital Colorado Partners I, LP, contributed $300,000 out of a total financing of $6,250,000 Series B equity funding on February 28, 2003. Federation has reported to the CAPCO that from that funding date through October 31, 2003, seven non- Colorado jobs and one Colorado job have been created.

2. **Save More Resources, Inc. (SMR), Grand Junction – proposed by Enhanced Colorado Issuer, LLC (Enhanced) –** SMR, headquartered in Colorado, helps its customers dramatically reduce their utility costs and consumption through superior software and service solutions. SMR currently has 54 employees located in 2 Colorado offices, 1 Washington office and 1 Illinois office. SMR currently pays an average annual wage of approximately $46,000, excluding benefits, to its 54 employees. The company estimated 25 additional jobs would be created within 6 months, of which 18 were projected to be located in Mesa County. The EDC recommended that SMR be considered eligible to receive funding from Enhanced, a Colorado Certified Capital Company. OED approved SMR as an eligible business to receive this funding. As a result of this approval, Enhanced was allowed to proceed in providing CAPCO funding to SMR. Enhanced has reported that funding for this business has not closed since they are still in negotiations with the business.

   The CAPCO, Enhanced Colorado Issuer, LLC, did not make an investment in Save More Resources, Inc. within a 6 month period from the date of the approval. Per the CAPCO regulation, the approval has been voided in 2003. The CAPCO has not reported to the OED/IT any additional information on this business.

COLORADO ENTERPRISE ZONES ANNUAL REPORT 2004

Governor's Office of Economic Development and International Trade
and
Department of Local Affairs
February 2004

2004 Colorado Enterprise Zone Annual Report

The following information on changes in economic conditions in enterprise zone areas and on enterprise zone tax credit activity represents the annual report to the General Assembly summarizing the status of enterprise zones, as required by 39-30-103, C.R.S. Additional detail is available on request from the Economic Development Commission staff, and will also be available on the Office of Economic Development and International Trade website, www.colorado.gov/oed.

Overview

Colorado's enterprise zone program, created in 1986, is a key economic and community development tool for lagging areas in the state, both rural and urban. Between 5,000 and 6,000 businesses use one or more of the enterprise zone tax credits each year, and 8,000-10,000 taxpayers contribute to non-profit local development projects in the zones each year. Over the last five years, businesses using the enterprise zone tax credits have invested over $11 billion in equipment to expand and modernize zone businesses, and have created over 49,000 jobs. Over 200 approved EZ non-profit projects have received over $105 million in contributions. Enterprise zone tax credit activity reported in fiscal year 2003 reflected the continuing softness in the overall state economy, with tax credit certifiers reporting a net decline in employment for the first time, despite a large increase in the amount of new investment reported during the year. The number of contributors and amount of contributions recovered somewhat from the lower levels reported in 2002.

> ***"The Colorado enterprise zone credits have been very much utilized for our business expansion over the past years. In fact, the credits were an important part of our decision making to expand the facility."***
>
> *-- Excel Corporation, Fort Morgan*

Background - Enterprise Zone Designation Process

The Colorado Urban and Rural Enterprise Zone statute, 39-30 C.R.S., provides for one or more local governments to propose areas for designation as an enterprise zone. It sets forth three criteria to measure economic distress in order for an area to qualify for enterprise zone designation:

Unemployment rate greater than 25 percent above the state average; or
Per capita income less than 75 percent of the state average; or
Population growth less than 25 percent of the state average.

In addition, the total population residing within an enterprise zone boundary cannot exceed 80,000 persons (100,000 for rural enterprise zones).

The Colorado Economic Development Commission ("EDC") has the authority to designate and terminate areas as enterprise zones (this authority rested with the executive director of the Department of Local Affairs prior to 1996). The statute originally allowed up to 8 areas to be designated as enterprise zones. The General Assembly amended the Act in subsequent years to increase that number to the current 16. In 1997, following amendments to the Act which gave the EDC power to terminate zone areas, the EDC reviewed available data on economic conditions in EZ areas, and terminated those areas which it determined no longer met the distress criteria. These terminations took effect July 1, 1998.

In 2002, in light of the downturn in the state's economy, the General Assembly amended the Enterprise Zone Act (HB 02-1399) to repeal the previous requirement that the EDC review all enterprise zone areas within 12 months of the publication of socio-economic data from the 2000 U.S. Census. The EDC continues to have discretionary authority to designate and terminate zone areas.

Changes in Zone Economic Conditions

- Employment. Based on data from the Colorado Department of Labor & Employment, Colorado's economy gained about 4,000 jobs from calendar year 2000 to 2001, and gained another 7,000 of those in 2002. In rural enterprise zone counties, 3,000 jobs were gained in 2001 and 10,000 more in 2002. Urban zone counties, on the other hand, lost about 10,000 jobs in 2001, and lost 6,000 more in 2002.

  Between 1987, when the enterprise zone program began, and 1995, employment in rural enterprise zones grew faster than the state average, with the result that 18 percent of the 434,000 state job growth was in rural enterprise zone counties, compared to a loss of jobs in the same counties prior to the zone program, between 1980 and 1986. Between 1995 and 2000, job growth accelerated in the non-enterprise zone counties, and EZ's share declined. This trend reversed during the economic downturn following 2000, with job losses concentrated in the urban areas. (Note: Enterprise zones in urban counties only cover parts of each county, but data are available only at the county level.)

- Unemployment in zone counties averaged 5.8 percent in 2002, up from 3.7 percent in 2001. In rural enterprise zones, the 2002 unemployment rate averaged 4.8 percent, up from 3.8 percent in 2001. The state’s 2002 rate was 5.7 percent, up from 3.7 percent in 2001. This represents the first time that the unemployment rate in rural EZ counties has been less than the state average. This narrowing of the gap between the state average and zone counties reflected the greater severity of the economic downturn in technology-focused counties, including non-zone counties. Although these rates are all significantly higher than their historic low point in 2000, they are still well below the unemployment rates experienced when the enterprise zone program began in 1986 (7.4 percent statewide and 10.4 percent in rural EZ's).

- Population. Since 1990, rural enterprise zones in eastern and southern Colorado have gained population, although at slower growth rates than the state average. These areas were losing population during the 1980s.

- Income. As per capita income for the state as a whole has grown by 112 percent over the past 15 years, enterprise zone per capita incomes overall have kept pace, growing 110 percent from 1986 to 2001, However, this figure is biased by the inclusion of some urban counties with high per capita incomes outside of their small enterprise zone areas. In rural enterprise zone counties, average per capita income grew 95 percent over the same 15 year period, resulting in a further decline in their per capita income compared to the state average, to 71 percent (as compared with 77 percent in 1986). In 2001, rural EZ counties' per capita income grew 2.7 percent, faster than the state average 1.2 percent.

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.

Statistics for Companies Claiming Enterprise Zone Tax Credits

The Enterprise Zone statute specifies that a variety of statistics for companies claiming Colorado enterprise zone income tax credits are to be reported by local enterprise zone administrators and summarized in this Annual Report. Statistics for companies claiming enterprise zone tax credits are collected by enterprise zone administrators from the "Certification of Qualified Enterprise Zone Business" forms which taxpayers claiming enterprise zone credits must attach to their Colorado income tax returns. In addition to verifying the taxpayer's location within an enterprise zone, these forms collect information on the potential amount of EZ tax credits for which the taxpayer qualifies, as well as the additional information required by the statute.

> ***"The best thing about this company's location is that it is in an enterprise zone. The tax credit provides a valuable incentive for continuous investment in the production equipment, which keeps our company competitive."***
>
> *-- Bookcliff Manufacturing, Inc., Grand Junction*

- The number of businesses certifying potential enterprise zone tax credits in FY 2003 was 5,080, an increase of 1 percent from 2002.

- Businesses certifying zone tax credits reported a decline in employment of 2,600 jobs in 2003, compared with an increase of 8,700 jobs in 2002. This was the first time since the enterprise zone program began that EZ credit certifiers reported a net decrease in employment over the course of the year. Nevertheless, 25 percent of the certifiers reported an increase in employment over the year. The combined result of businesses that gained jobs, those that lost jobs over the year, and those whose employment remained the same was that these businesses retained 137,000 jobs. ("Jobs retained" is defined as employment at the beginning of the year for those certifiers with employment growth, plus employment at the end of the year for those reporting no employment growth.)

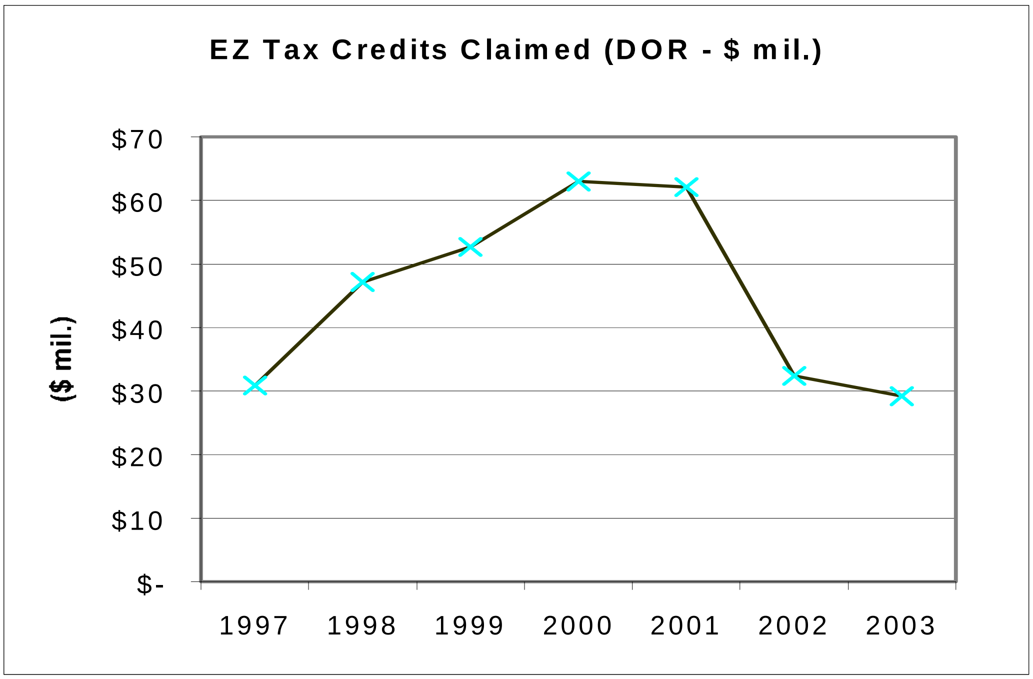
- Businesses certifying zone tax credits invested $2.4 billion in new equipment used in enterprise zone businesses during FY 2003, up 74 percent from 2002. This was the largest capital investment reported since the beginning of the program, reflecting the certification during this year of very large investments made during 2000 and 2001 by technology and natural resource firms.

- Over 9,000 taxpayers contributed $18.4 million to enterprise zone economic and community development projects in FY 2003, resulting in over $4.1 million in potential tax credits. This was a 26 percent increase from FY 2002, but still a 65 percent decrease from the peak year of 1998, as the reductions in this credit from 50% to 25% enacted by the General Assembly in 1996 have taken effect.

Credits Claimed vs. Credits Certified. Total EZ tax credits claimed with the Department of Revenue in FY 2003 were $29 million, down 10 percent from the level of FY 2002 and 53 percent from 2001. Of this total, $18 million were claimed by corporate taxpayers, and $11 million by non-corporate (individual contribution credits, plus sole proprietor, partnership and other non-corporate business credits). This decline reflected the continued economic downturn in the state, with its accompanying decline in taxable business income. The large capital investments certified during this year were not reflected in the DOR data, widening the gap between potential credits certified and actual credits claimed. This was probably because of tax liability limitations or timing differences in filing tax returns.

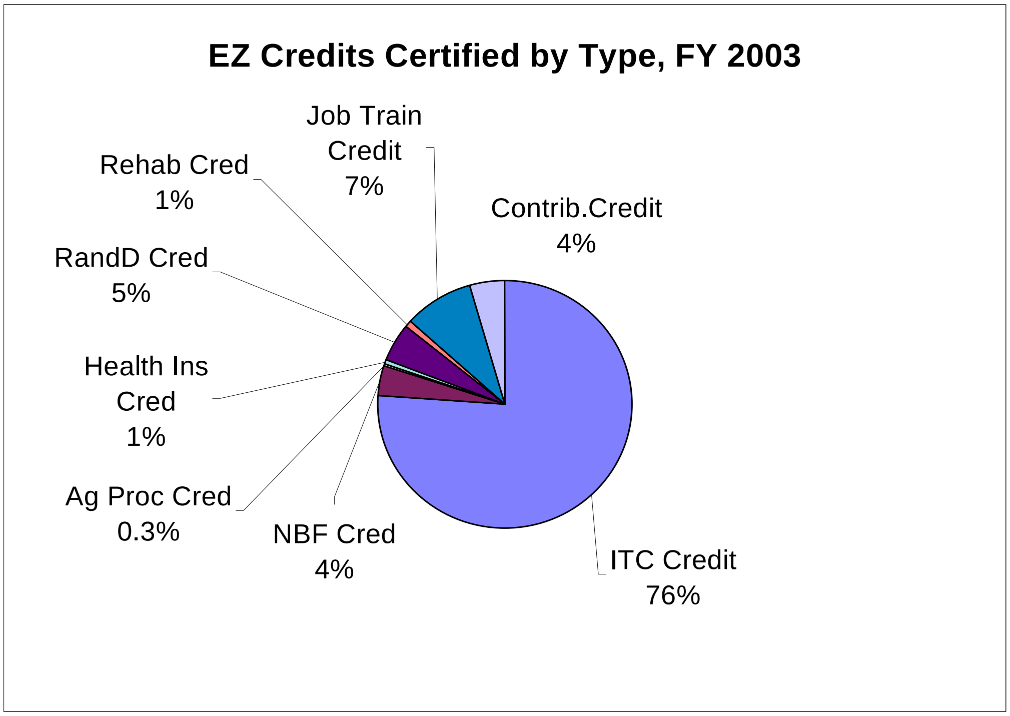
The total credit amounts reported on the Certification forms and compiled for this report typically exceed the total amount of EZ tax credits actually claimed and reported by the Department of Revenue as reductions in each year's tax liability. The amounts "certified" represent *potential* credits for which the taxpayer has qualified by virtue of undertaking the activities specified in the enterprise zone statute -- making qualified investments, creating new jobs in new or expanded business facilities, investing in qualified job training, increasing research and experimental expenditures, or rehabilitating qualifying vacant buildings in an enterprise zone.

The amounts "claimed" with the Department of Revenue, on the other hand, are limited by each taxpayer's Colorado income tax liability each year. Potential credits earned in excess of the current year's tax liability may be carried forward to future tax years for a period specified by statute. Nevertheless, potential credits of taxpayers who do not earn sufficient taxable income, or who cease business during the carry-forward period, will be permanently lost. In addition, there may be differences in timing between the EZ certification reports and the filing of tax returns reported by DOR due to the timing of tax filing. (See Tables 1 and 2 at end of this section for more detail.)



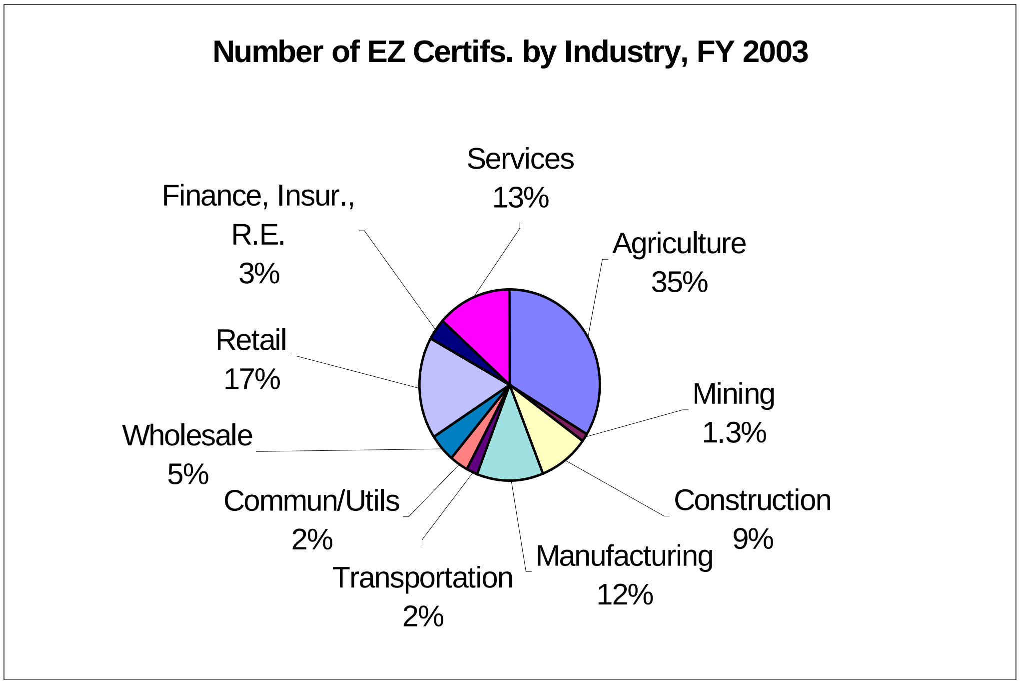
Credits by Type

- Approximately 76 percent of the estimated dollar value of credits certified was for the enterprise zone investment tax credit. Approximately 9 percent was for the EZ job training tax credit, 5 percent was for the three new jobs tax credits, 4 percent for enterprise zone project contribution tax credits, and the balance for vacant building rehabilitation and increased research and development expenditure credits. Specifically, the following amounts of tax credits were certified for each of the available EZ tax credits, based on the qualifying investment, job creation, or other activities specified for each credit:



- 3 percent Investment Tax Credit: $70.5 million certified, based on $2.372 billion in qualifying capital investment by 4,778 zone certifiers.
- $500 New Business Facility Jobs Credit: $3.7 million, based on 9,827 qualifying new business facility jobs in 684 businesses. (Note: the net decline in jobs cited above includes businesses claiming the ITC that did not qualify under the New Business Facility criteria.)
- $500 Ag Processing New Job Credit: $317,000, 14 certifications.
- $200, two-year Health Insurance-covered New Job Credit: $546,000, 260 certifications.
- 10 percent Job Training Program Investment Credit: $8.2 million, based on $82 million of investment in programs to provide job training for 33,000 zone employees by 327 certifiers.
- 3 percent Credit for Increased Research & Development Expenditures: $4.6 million, claimed by 52 taxpayers certifying $331 million in qualifying R&D expenditures.
- 25 percent Credit for Qualified Expenses of Rehabilitating Older Vacant Buildings: $734,000, based on $6.4 million in qualifying expenses for rehabilitating 27 buildings.
- 25 percent Credit for Contributions to designated Enterprise Zone Projects: $4.1 million, based on 9,300 contributions totaling $18.4 million.

- By industry, the largest number of EZ certifications was filed by farms and ranches — about half of all certifications in the rural zones. However, the largest groups in terms of job creation and dollars of credits certified were manufacturing, followed by communications/utilities. For certifications filed in FY 2003, the percentage of credits claimed by manufacturing increased substantially, and transportation/communications/utilities certification returned to near 2001 levels, after a drop in 2002. The net job losses reported this year were concentrated in manufacturing and transportation/communications, reflecting the state's economy as a whole. Trade and services certifiers reported continued net job growth.



- 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 paid by new employees of enterprise zone businesses.

  - State sales and use taxes on taxable non-manufacturing equipment purchased by enterprise zone businesses would amount to approximately $40 million in FY 2003.

  - New investment by enterprise zone businesses added $2.4 billion of personal property to the local tax base, increasing local property tax capacity and reducing the burden on the state school finance act correspondingly.

- In addition, new economic activity adds revenues from increased corporate taxes, as well as increased local property and sales taxes.

- Job growth in rural areas that had previously been losing population, as well as private contributions to enterprise zone projects encouraged by the enterprise zone tax credit, help preserve vital community infrastructure such as schools and health care facilities.

Other Information

- In FY 2003, 775 employees were reported as transferred to a zone facility from another location in the state. This represented 0.5% of the total employees of zone certifiers at the end of the year.

- **Average Annual Compensation by Employment Category**

  The enterprise zone statute requires enterprise zone certifiers to report the annual average compensation of the jobs created or retained within the zone, categorized by full time permanent, part time, temporary, and contract jobs. The following table summarizes this data for FY 2003:

Type of Employees:	Full-time	Part-time	Temporary	Contract
Avg. Annual Compensation	$32,417	$9,331	$9,591	$24,859
Total Number Employees for whom comp. reported	130,319	30,651	7,363	1,730
Avg. Number Employees Reported	41	19	26	12
Number of Certifications Reporting Employees & Comp. in Category	3,193	1,596	282	140

  Compensation reported by enterprise zone certifiers is generally close to average earnings for all companies in the same county. Average full-time compensation increased 6 percent from FY 2002.

Table 1, EZ Tax Credits Certified by Zone, Fiscal Year 2003

Zone	Total # Certs	$ ITC	$ NBF	$ Ag Proc	$ Hlth Ins	$Train	$ R and D	$ Rehab	Total Bus	$ Contribution Credit	Total Credits
RURAL											
East Central	341	$894,909	$55,688		$38,400				$988,997	$7,963	$996,960
Mesa County	84	$823,302	$151,160		$3,517	$22,626	$3,355	$43,921	$1,047,881	$201,265	$1,249,146
Northeast	870	$2,689,570	$110,515	$5,500	$18,956	$27,323	$2,724	$3,974	$2,858,563	$104,823	$2,963,386
Northwest	227	$7,460,929	$106,335		$26,000	$95,188	$154,353	$3,382	$7,846,188	$319,000	$8,165,187
Region 10	300	$1,340,099	$101,473	$1,000	$8,350		$149	$50,000	$1,501,071	$35,420	$1,536,491
San Luis Valley	419	$1,934,504	$38,604		$2,109	$390			$1,975,607	$176,653	$2,152,260
South Central	117	$3,065,878	$42,000		$21,783	$65,856	$848		$3,196,365		$3,196,365
Southeast	241	$574,777							$574,777	$7,475	$582,252
Southwest	276	$777,942	$117,526		$8,650	$67,934			$972,051	$186,848	$1,158,899
Upper Ark	184	$647,760	$50,634		$2,400			$53,299	$754,093	$75,988	$830,080
Subtotal	3,059	$20,209,670	$773,935	$6,500	$130,165	$279,317	$161,429	$154,576	$21,715,592	$1,115,434	$22,831,026
% of total:	60.2	28.7%	20.7%	2.1%	23.9%	3.4%	3.5%	21.0%	24.5	27.2%	27.2%
URBAN											
Adams County	319	$3,655,777	$167,907		$69,915	$322,968	$25,994	$103,585	$4,346,146	$316,697	$4,662,844
Arapahoe County	140	$712,501	$103,059		$13,398	$88,731	$183,908	$8,981	$1,110,577	$2,960	$1,113,538
Denver	752	$15,214,710	$913,520	$28,500	$170,089	$6,224,528	$51,321	$300,586	$22,903,254	$1,810,138	$24,713,392
El Paso County	384	$22,046,954	$664,053		$46,054	$578,637	$2,499,950	$74,386	$25,910,034	$231,336	$26,141,370
Greeley/Weld County	83	$2,495,179	$351,107	$278,500	$7,800	$95,195	$5,990	$42,245	$3,276,017	$111,228	$3,387,244
Jefferson County	143	$3,198,734	$227,310		$42,894	$516,068	$1,694,179		$5,679,185	$237,341	$5,916,527
Larimer County	86	$1,682,217	$432,294	$3,003	$12,216	$31,058	$332		$2,161,120	$207,032	$2,368,152
Pueblo	114	$1,280,702	$100,446		$53,100	$67,095	$4,661	$50,000	$1,556,004	$74,694	$1,630,698
Subtotal	2,021	$50,286,773	$2,959,696	$310,003	$415,466	$7,924,281	$4,466,335	$579,783	$66,942,337	$2,991,428	$69,933,765
% of total:	39.8	71.3%	79.3%	97.9%	76.1%	96.6%	96.5%	79.0%	75.5	72.8%	72.8%
Year Total	5,080	$70,496,443	$3,733,631	$316,503	$545,631	$8,203,598	$4,627,764	$734,360	$88,657,929	$4,106,861	$92,764,790
Credits by Type as percent of:											
% of total business credit		79.5%	4.2%	0.4%	0.6%	9.3%	5.2%	0.8%	100.0%		
% of total credit		76.0%	4.0%	0.3%	0.6%	8.8%	5.0%	0.8%	95.6%	4.4%	100.0%

Table 2, Total Enterprise Zone Tax Credits "Certified" by EZ's and "Claimed" with DOR, FY 1999 - FY 2003

($ mil.)	Claimed with Department of Revenue							Certified by EZ Adminis-trator	DOR as % Certif.
Fiscal Year	Total	Total Corpo-rate	Corp. ITC	Corp. NBF Jobs	Corp. Contribs	Corp. Other	Non-Corp.*		
1999	52.6	32.9	24.6	4.1	1.7	2.5	19.8	73.1	72%
2000	63.0	43.7	27.5	3.9	1.8	10.6	19.2	78.8	80%
2001	62.1	44.2	34.4	5.0	1.2	3.6	17.9	69.4	89%
2002	32.4	18.6	12.3	3.4	0.9	1.9	13.8	56.6	57%
2003	29.2	17.9	13.5	2.3	0.4	1.7	11.3	70.5	41%

* Business credits for proprietors and partnerships, and individual EZ contribution credits.

Table 3, Summary of EZ Indicators and Tax Credits Certified by Fiscal Year

Year	# Certi-fications	New Jobs	Capital Invest-ment	$ Investment Credit	$ New Jobs Hlth Ins/Ag	$ Training Credit	$ R and D Credit	$ Rehab Credit	Total Bus. Credits	# Contribs	$ Contrib Credit	TOTAL CREDITS
1999	5,374	16,322	$2,301,674,465	$51,900,525	$6,450,275	$1,366,839	$1,329,135	$669,406	$61,716,179	10,263	$9,926,394	$71,642,573
2000	6,000	12,671	$2,338,230,433	$55,022,507	$6,370,251	$5,317,362	$2,612,868	$255,300	$69,578,289	10,074	$9,029,129	$78,607,418
2001	5,141	14,552	$2,178,327,963	$46,892,986	$5,958,052	$5,021,235	$2,591,679	$392,571	$60,856,524	9,752	$7,886,558	$68,743,082
2002	5,038	8,734	$1,899,480,853	$40,137,597	$5,157,390	$3,235,110	$2,911,107	$502,452	$51,943,657	8,110	$3,263,865	$55,207,521
2003	5,080	-2,597	$2,955,962,433	$70,496,443	$4,595,764	$8,203,598	$4,627,764	$734,360	$88,657,929	9,312	$4,106,861	$92,764,790
Total	26,633	49,682	$11,673,676,148	$264,450,059	$28,531,733	$23,144,144	$14,072,553	$2,554,088	$332,752,578	47,511	$34,212,807	$366,965,385

Source: Local enterprise zone administrators' reports to Colo. Department of Local Affairs
Data reflect potential credits based on taxpayer certifications compiled by local enterprise zone administrators, and will generally exceed actual tax credits claimed with Department of Revenue for the same year due to differences in timing, credit amounts earned which exceed tax liability, and other differences.