

Colorado

ECONOMIC DEVELOPMENT COMMISSION

**ACTIVITY REPORT
2004**

*Office of Economic Development and International Trade
February 2005*

Colorado

Office of Economic
Development and
International
Trade

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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 2004. The report contains information on projects supported by the EDC in CY 2004, as well as the status of initiatives funded in CY 2003.

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 ProLogis, Inc. in Denver, Receivable Management Service Corporation in Pueblo and R.R. Donnelley, Inc. in Weld County. Support for small businesses and rural areas remained a priority for the EDC in 2004 through the provision of matching funds for Enterprise Zone marketing, the continuation of the statewide Community Assessments Program as well as the opening of the Advance Colorado Center.

In 2005, 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

CHAIRMAN

William T. Sisson
American National Bank
Grand Junction

VICE CHAIRMAN

Richard L. Monfort
Greeley

MEMBERS

Jerry D. Biggs
BiggsKofford, LLC
Colorado Springs

Booker T. Graves
Department of Local Affairs
Denver

Laurie Ganong Jones
DLJones, Inc.
Sterling

F. Robert Lee (through March 2004)
Office of Economic Development &
International Trade
Denver

Brian Vogt (appointed March 2004)
Office of Economic Development &
International Trade
Denver

Michael Matthews
Wells Fargo Bank
Pueblo

Kimberly Mazza
Pioneer Natural Resources
Trinidad

Richard L. Robinson
Robinson Dairy
Denver

PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2004

PROJECT	AREA	EDC \$	OTHER \$/ SOURCE	STATUS
Advance Colorado Center	Statewide	\$648,000	N/A	Contracted
BIO 2004 Annual International Convention	Statewide	\$20,000	\$27,856 / Local & Private	Completed
Colorado Convention Center State Exhibit	Denver	\$150,000	\$100,000 / CTO Board	Contracted
Community Assessments Program	Statewide	\$234,000	N/A	Contracted
Colorado Space Strategic Marketing	Statewide	\$150,000	N/A	Contracted
Cryogenic Experts	Grand Junction	\$22,500	\$31,000 / Local	Pending
Cumbres & Toltec Scenic Railroad	Antonito	\$150,000	\$300,000 / DOLA	Contracted
Department Agriculture: Colorado Proud Marketing Campaign	Statewide	\$95,000	373,000 / Federal & Private	Pending
Department Agriculture: International Trade Promotion Program	Statewide	\$20,000	\$20,000 / DOA	Pending
Group Publishing, Inc.	Loveland	\$64,000	\$232,000 / Local & Private \$51,200 / Colorado First	Pending
Heavy Equipment Training Academy	Julesburg	\$20,000	\$29,245 / Local	Pending
Kodak	Windsor	\$120,000	\$661,832 / Local \$24,000 / Colorado First	Pending
Leadville Institute of	Leadville	\$35,000	\$45,000 / Federal Grants	Contracted

PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2004

Science and Technology				
Metro Denver Sport Commission	Metro Denver	\$25,000	\$172,500 / Private	Contracted
Mile High Alliance	Metro Denver	\$30,000	\$37,500 / Local & Private	Completed
Munich Air Service	Denver	\$200,000	\$400,000 / Local & Private	Pending
Nanotechnology Study	Statewide	\$50,000	\$135,000 / Local & Private	Pending
Pierre Auger Observatory Site Assistance	Multi County	\$65,000	\$10,000 / Local & Private	Contracted
ProLogis Inc.	Aurora	\$400,000	\$425,000 / Local	Pending
Receivable Management Service	Pueblo	\$650,000	\$920,400 / Local & Private \$280,000 / Colorado First	Pending
Red Robin Gourmet Burgers, Inc.	Englewood	\$54,000	\$54,000 / Local & Private \$43,200 / Colorado First	Pending
R. R. Donnelley Inc.	Greeley	\$144,000	\$713,942 / Local \$38,400 / Colorado First	Pending
Stanley Aviation Corporation	Aurora	\$350,000	\$475,000 / Local \$70,000 / Colorado First	Pending
Twin Otter International. Ltd.	Grand Junction	\$75,000	\$150,000 / Local \$8,000 / Colorado First	Pending
Viaero Wireless	Fort Morgan	\$187,500	\$191,800 / Local	Pending

PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2004				
PROJECT	AREA	EDC \$	OTHER \$/ SOURCE	STATUS
Adams County EZ Marketing	Adams County	\$12,500	\$12,500/EZ	Pending
Arapahoe County EZ Marketing	Arapahoe County	\$12,500	\$12,500/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	\$12,500	\$12,500/EZ	Contracted
Greeley/Weld County EZ Marketing	Weld County	\$12,500	\$12,500/EZ	Pending
Jefferson County EZ Marketing	Jefferson County	\$12,500	\$12,500/EZ	Pending
Larimer County EZ Marketing	Larimer County	\$12,500	\$12,500/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 2004, 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 special projects also received support from the commission. These include creation of the Advance Colorado Center in late 2004, in partnership with the University of Colorado at Denver & Health Sciences Center, to foster non-profit associations whose mission is to help entrepreneurs and emerging industries statewide to succeed and grow. The Commission continued to support key local and industry economic development marketing initiatives, including biotechnology, nano-technology, and the aerospace industry trade exhibits and studies.

The EDC continued to carry out its statutory responsibilities related to the Certified Capital Companies (CAPCO) program. The commission heard one request for a CAPCO waiver.

The following table provides a general breakdown of EDC projects in 2004:

Region	Number of Projects	Percentage of Total Projects
Rural	19	44%
Urban	19	44%
Statewide	5	12%
Total for Year	43	100%

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 2004

During 2004, 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 locations 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. Group Publishing, Inc., Loveland** – Group Publishing (“Group”) was founded in 1974 when Tom Shultz (now CEO) began to publish church ministry resources from his apartment in Loveland, Colorado. Today, Group Publishing has grown to over 250 employees and sells its materials throughout the world. Additionally, the company holds training events throughout the nation that equip church volunteers and youth for service. The company intends to add 47,000 square feet to its property (not in an enterprise zone) in Loveland with a capital investment of approximately \$6,775,000. Group Publishing anticipates hiring a total of 128 full-time equivalent employees over the next four years. The proposed average wage for the new jobs is \$47,445. The City of Loveland has waived certain fees relating to the project resulting in a financial commitment of \$232,000. Colorado First and Existing Industry job training funds in the amount of \$51,200 have also been committed. The EDC approved an incentive grant in the amount of up to \$64,000 representing \$500 per job created (128 FTE) with the jobs to be created by no later than 12/31/08 with a minimum average annual wage rate of \$47,445 plus Group's standard benefit package. Maintenance of the 128 net new jobs will be required through 05/31/09.
- 2. Kodak Colorado, Windsor** – Eastman Kodak Corp.'s Kodak Colorado division in Windsor is one of northern Colorado's largest employers, with around 2,000 employees. It is the company's primary manufacturing center for medical x-ray film, thermal media, motion picture film, and color paper. The company is in a highly competitive environment as a result of changing technology in its traditional markets, and the Windsor facility must compete with other company locations for corporate investment in new projects. The EDC approved a \$120,000 incentive award to assist Weld County in attracting a \$38 million investment in new thermal media production capacity. Weld County offered a personal property tax incentive of \$661,800. The expansion will create 60 new jobs by 2007 at an average salary of \$38,000, 122 percent of the county average.
- 3. ProLogis, Inc., Denver** – ProLogis is a real estate investment trust (“REIT”) formed in 1991 with the intent of developing distribution facilities that meet the needs of its corporate customers on a national, regional and local basis. After 13 years of operation, it owns a global network of industrial distribution properties. As of December 31, 2003,

ProLogis had a total operating portfolio of 230.4 million square feet of property, which was 89.1% leased and 88.5% occupied (247.8 million sq. ft. as of March 31, 2004). Under its second business segment, corporate distribution facilities service (“CDFs”), ProLogis develops distribution properties. ProLogis earns fee income from the property funds for property management and for performing other services such as development, leasing and acquisition activities. ProLogis intends to relocate its facilities from Aurora to Denver (not in an enterprise zone) where the company will occupy an 80,000 sq. ft. office facility. Through the closing of a non-Colorado site, 100 new jobs will be created in Denver within one year. Within five years, ProLogis will create an additional 100 jobs. The estimated minimum private investment related to the project is \$21,664,000. The City and County of Denver has committed \$425,000 to this project with a credit of up to 50% of real estate, personal property, sales and use taxes over the 5-year contract period, subject to job creation and/or capital investment. The EDC approved an incentive grant in the amount of \$400,000 for the creation of 100 jobs by no later than 12/31/05 with a minimum average annual wage rate of \$61,300 and the creation of up to 100 additional jobs by no later than 12/31/09 at the same minimum average annual wage. Maintenance of the 200 net new jobs will be required through 12/31/09.

4. **Red Robin Gourmet Burgers, Inc., Englewood** – Red Robin Gourmet Burgers, Inc. (“Red Robin”) was founded in 1969. In 1990, Red Robin International incorporated in Nevada. The company operates Red Robin restaurants from facilities that are owned or leased and the company sells franchises and receives royalties from the operation of franchised Red Robin restaurants. Currently, there are more than 200 Red Robin locations across the United States and Canada (including both company-owned and franchise-operated restaurants). This project involves the relocation and expansion of Red Robin’s corporate headquarters. The company is moving from its existing 29,000 sq. ft. facility located in Arapahoe County (Greenwood Village) to a 50,000 to 70,000 square foot facility also in the city of Greenwood Village (not in an enterprise zone). The total project cost is estimated to be \$3,211,513. Arapahoe County has committed \$54,000 to the project in personal property tax incentives. Colorado First and Existing Industry job training funds in the amount of \$43,200 (@ \$400 per job) have also been committed. The EDC approved an incentive grant of \$54,000 based on \$500 per job for 108 new FTE jobs created that meet an average annual wage of \$58,370 plus the company’s standard benefit package. The 108 net new jobs are to be created by 12/31/08 and maintained through 12/31/09.
5. **Stanley Aviation Corporation, Aurora** – Stanley Aviation Corporation (“Stanley”) began operations in 1948 in Buffalo, NY. Since 1954, Stanley Aviation has been headquartered in Aurora, Colorado (Adams County) and is located adjacent to the new Stapleton development (located in an enterprise zone). The company designs and manufactures a complete range of aircraft fluid distribution products, ground support products, and maintenance equipment products used in the aviation and aerospace industries. Stanley intends to expand its current Colorado operation to a 65,000 sq. ft. facility. The total project cost including equipment is estimated to be \$3,700,000. The City of Aurora has committed \$350,000 to the project with the waiver of sales and use taxes. Adams County has committed \$125,000 to the project with the waiver of real and

personal property taxes. Colorado First job training funds in the amount of \$70,000 (\$400 x 175 jobs) have also been committed for this project. The EDC approved an incentive grant of \$350,000 for the creation of 175 jobs by no later than 12/31/05 with a minimum average annual wage of \$38,467 plus the company's standard benefit package. The 175 net new jobs are to be maintained through 12/31/09.

6. **Receivable Management Service Corporation, Pueblo County** – Receivable Management Services Holding Corp. (“RMSC”) was formed in May of 2001 when Dunn & Bradstreet’s Receivable Management Services was sold to its senior executives and became a stand-alone company. Through an exclusive multi-year agreement, RMSC has full data sharing capabilities and full access to D&B databases and systems. RMSC provides customers a continuum of services from electronic bill presentment through receivable outsourcing, traditional collections, bankruptcy services and deductions management. RMSC is looking to expand its business in the Pueblo area (located in an enterprise zone). The total project cost is approximately \$2,000,000. The City of Pueblo has committed \$920,400 to this project as a lease reduction contribution. Colorado First Job Training Funds of \$260,000 (based on \$800 per job) have also been committed. The EDC approved an incentive grant of \$650,000 in consideration of the company’s creation of 325 FTE jobs at an average annual wage of \$28,080 over the next three years (EDC funding at \$2,000 per job). The net new jobs are to be maintained through 12/31/09.
7. **R.R. Donnelley, Inc., Weld County** – R.R. Donnelley (“RRDN”) began operations in 1968 in Portland, Oregon as a commercial printing company, originally known as Norwest Publishing Company, Inc. In 1986, Norwest Publishing was acquired by Donnelley in a stock transaction. RRDN specializes in the printing of telephone directories within North America. RRDN’s plant and printing facility in Colorado is located on the eastern side of Greeley, where it was established in 1984, and is located within a state designated enterprise zone. RRDN recently won a multi-year directory printing contract and anticipates expanding its building by 15,000 sq. ft. and adding a new printing press worth approximately \$11.5 million. The total project cost is estimated at \$12,800,000. The City of Greeley has committed \$510,195 to the project through waiving sales & use taxes and personal property tax rebates. Weld County has committed \$203,747 in personal property tax rebates. Colorado First job training funds in the amount of \$38,400 (\$800 x 48 jobs) have also been committed. The EDC approved funding of \$144,000 in consideration of the creation of 48 FTE jobs by no later than 3/31/07 with a minimum average annual wage rate of \$40,984 plus the company’s standard benefit package. The net new 48 jobs are to be maintained through 3/31/09.

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

1. **Cryogenic Experts, Mesa County** – Cryogenic Experts (“CEXI”) was founded in 1971. The company primarily builds vaporizers for the industrial gas business and all types of cryogenic fluids such as carbon dioxide, nitrogen, hydrogen, ethylene, ethane, methane, helium, oxygen, and nitrous oxide. The vaporizers range in size from 500 cubic feet per

hour to over 3,000,000 cubic feet per hour running at temperatures of up to 1500 degrees Fahrenheit. CEXI builds full systems and has turnkey installations. Common applications include the aerospace/military, food and beverage, electronics and medical sectors. Initially, the company plans to move its standard manufacturing of ambient vaporizers from California to Mesa County. Eventually, the company plans to move all manufacturing to Colorado from California and to establish its headquarters in Mesa County. The current project involves a capital investment of approximately \$205,000 and the creation of up to 10 jobs. The City of Grand Junction and Mesa County have committed \$31,000 and Colorado First job training funds in the amount of \$8,000 (based on \$800 per job) have been committed. The EDC approved an incentive grant of \$22,500 for the creation of 10 jobs by no later than 12/31/06 with a minimum average annual wage of \$35,250 excluding benefits. The 10 net new jobs are to be maintained through 12/31/09.

- 2. Cumbres & Toltec Scenic Railroad, Conejos County** – The Cumbres & Toltec Scenic Railroad is an historic narrow gauge railroad running between Antonito, Colorado, and Chama, NM, owned by the states of Colorado and New Mexico. It offers daily tourist excursions between May and October, and is a mainstay of the local economy. The railroad is governed by the Cumbres & Toltec Scenic Railroad Commission, whose members are appointed by the governors of the two states. It was created by the Cumbres and Toltec Scenic Railroad Compact, an interstate compact signed by Colorado and New Mexico and ratified by the U.S. Congress in 1974. The Commission owns historic locomotives, passenger cars, depots, and a dining facility at Osier, Colorado, midway between the two endpoints.

The C&TSRR meets most of its operating expenses from ticket revenues and appropriations from the state of New Mexico. It typically relies on state and federal grants for capital and maintenance costs. The EDC provided a grant of \$150,000 to be used for the rehabilitation of 3 passenger cars, repairs to the Osier dining facility, and maintenance of the Antonito depot. The Joint Budget Committee approved this award, as is required in the EDC's statute for grants to projects of a type that are typically considered by the general assembly in the general appropriation bill. The majority of the work was completed during 2004, with completion scheduled for 2005.

- 3. Heavy Equipment Training Academy, Sedgwick County** – The Heavy Equipment Training Academy (“HETA”) was founded six years ago by James Row. Traditionally, HETA has provided on-location training using a client's equipment. Also, the Colorado Contractor's Association (CCA) has provided training sites for HETA and the CCA intends to use HETA to provide for future training needs. The goal of this project is to establish a permanent facility for the Heavy Equipment Training Academy. The facility is to be located in Julesburg in a state designated enhanced enterprise zone. The company intends to offer support classes and certifications, construction supervisory training, construction job costing, bid & performance bonds training, equipment maintenance and performance training, OSHA certifications, and other types of training. Instructors will be hired on a full-time basis and will be based in the Julesburg area. The Town of Julesburg has committed \$12,912 in land and real estate tax abatements and

Sedgwick County has committed \$16,333 in property tax abatements to this project. The EDC approved incentive funding of \$20,000 for the creation of 10 jobs by no later than 12/31/05 with a minimum average annual wage rate of \$29,952. The net new jobs are to be maintained through 12/31/09.

4. **Twin Otter International, Ltd., Mesa County** – Twin Otter International, Ltd. (“TOIL”) an “S” corporation was originally formed in 1967 as Scenic Airlines, Inc. Scenic Airlines operated sightseeing flights to the Grand Canyon. In 1993, the company name of Scenic Airlines and specific assets were sold to Lake Powell Air, a subsidiary of Skywest Airlines. Upon finalization of the sale, the remaining assets became Twin Otter Leasing and shortly thereafter Twin Otter International Ltd. TOIL leases Twin Otter aircraft worldwide and specifically modifies its aircraft to meet customer needs. TOIL is primarily located in Las Vegas, Nevada, but also has storage hangers at Valle Airport in Arizona. The company is seeking a permanent facility to purchase in Grand Junction. This project is located in a state designated enterprise zone. New capital investment is anticipated to be at least \$1,600,000 including a 26,000 sq. ft. facility on a 5-acre site. The City of Grand Junction has committed \$75,000 and Mesa County has committed \$75,000 to this project. Colorado First job training funds in the amount of \$8,000 (based on \$400 per job) have also been committed. The EDC approved funding of \$75,000 for the creation of 25 FTE at a proposed average wage of \$32,172 excluding benefits. The net new 25 jobs are to be maintained through 12/31/09.
5. **Viaero Wireless, Morgan County** – Northeast Colorado Cellular, Inc. (d.b.a. Viaero Wireless also known as Cellular One of Northeast Colorado). Viaero’s mission is to provide superior quality rural wireless service. Presently, the company has 63 employees. Viaero has undertaken digital technology upgrades at its current location in Fort Morgan and plans to expand its operations. This location is in a state designated enterprise zone. Viaero has already invested approximately \$6 million and is planning to invest an additional \$6 million for this expansion and upgrade. The City of Fort Morgan has committed \$191,880 in tax rebates to this project. The EDC approved funding of \$187,500 in consideration of the creation of 75 new FTE positions at an average annual wage of \$37,500. The 75 net new jobs are to be maintained through 12/31/09.

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 Convention Center State Exhibit, \$150,000

The State of Colorado created a permanent exhibit in the Colorado Convention Center to promote tourism, economic development, education, agriculture and Colorado products when the Colorado Convention Center was first constructed in 1987. This exhibit space was guaranteed as a condition of State assistance to the City and County of Denver in the original Convention Center project.

With the expansion of the Convention Center by the City and County of Denver in 2005, the State had an opportunity to update its exhibit and improve its visibility in the reconfigured Center. The EDC authorized an award of up to \$150,000, together with \$100,000 from the Colorado Tourism Office, to construct twin exhibits to promote economic development and tourism to Convention Center visitors. The new exhibit will have interactive features designed to attract visitors without the need for staffing. Project completion is anticipated in the spring of 2005, with costs under budget.

2. Colorado Space Strategic Marketing, \$150,000

The EDC provided a grant of \$150,000 to assist the Colorado Space Coalition to promote Colorado as a key location for the expansion of private and public aerospace activities. The Colorado Space Coalition is an alliance of Colorado aerospace companies, local economic development organizations under the leadership of the Metro Denver Economic Development Corporation, and government agencies under the leadership of Lieutenant Governor Jane Norton. The funds are being used to establish a high visibility Colorado exhibit and awards luncheon sponsorship at the National Space Symposium as well as undertake targeted advertising to the aerospace industry.

3. Department of Agriculture: Colorado Proud Marketing Campaign, \$95,000

The Colorado Department of Agriculture, in cooperation with state food producers and retailers, developed the “Colorado Proud” brand and logo to promote Colorado-grown products. In order to maintain the high visibility of this brand in the marketplace, and to attract continuing participation by the Department’s private sector partners, the EDC approved a grant of \$95,000. This is anticipated to generate \$350,000 in cooperative television and other advertising from private companies, as well as allow the Department to produce collateral print materials and to develop a new agri-tourism program in Colorado.

4. Department of Agriculture: International Trade Promotion Program, \$20,000

The EDC over the years has funded the Colorado Department of Agriculture’s program to promote Colorado agricultural products in international markets. The Agricultural International Trade Program assists Colorado producers and processors to attend trade shows and missions by reimbursing part of the producer’s costs. The EDC approved a \$20,000 grant to enable the Department of Agriculture continue this program.

5. Metro Denver Sport Commission, \$25,000

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. This is the third year of a three-year funding award first approved by the EDC in 2002. Partner revenue is projected at \$172,500.

6. Munich Air Service, \$200,000

The EDC partnered with Denver International Airport to offer up to \$200,000 to encourage an airline to initiate regularly-scheduled non-stop service between DIA and

Munich, Germany. DIA is offering a \$400,000 award. This award is based on past experience with the substantial economic benefits to the state of direct international air connections, such as Lufthansa's existing Denver-Frankfurt service. There are already 82 German-affiliated companies with operations in Colorado, and a number of important Colorado companies with operations in Munich and elsewhere in Germany. Tourist travel between the two areas is also strong and growing. This offer is still outstanding, with DIA and metro area business representatives continuing to pursue opportunities to establish the proposed service.

Objective B: Develop and support special projects and activities.

1. Advance Colorado Center, Statewide – \$648,000

The Advance Colorado Center is a major initiative of OEDIT to foster the growth and development of key emerging industries in the state. In partnership with the University of Colorado at Denver & Health Sciences Center, the ACC is providing shared office space for several business associations whose mission is to assist entrepreneurs and emerging industries to succeed and grow profitable, sustainable businesses.

The primary mission of the ACC is to provide support for fledgling non-profit associations and business support programs that will meet the needs of targeted industries within Colorado. It is housed in the same building as OEDIT within the World Trade Center in Denver. The ACC is financed for three years, at \$216,000 per year, with federal discretionary funds made available by the EDC to UCDHSC. Tenants will pay no rent for three years and receive basic office services and training from UCDHSC in areas such as association organization, marketing and fundraising.

Organizations sharing the Advance Colorado Center include:

- Colorado Alliance for Microenterprise Initiatives: Seeks to build the capacity of very small businesses, to help entrepreneurs become economically self-sufficient.
- Colorado BioScience Association: Grows the state's bioscience workforce, provides networking opportunities, educational and technical programs, created corporate partnerships and finds investors.
- Colorado Film Commission: Stimulates and supports growth of all segments of the Colorado film and video industry. Promotes the state as a competitive location for filming. This is a new non-profit organization, which will replace the former state Motion Picture & Television Advisory Commission, which was de-funded by the General Assembly in 2003.
- Colorado Software & Internet Association: Fosters innovation and growth for the technology industry in Colorado.
- Colorado Sustainable & Environmental Business Alliance: Promotes Colorado as a center for environmental commerce and sustainable technologies.
- CTEK: Expert financial and business volunteers mentor entrepreneurs working with innovative technologies.

2. BIO 2004 Annual International Convention - \$20,000

The biosciences industry is one of Colorado's key targeted industries. The EDC provided an award of \$20,000 to enable OEDIT to partner with the Colorado BioScience Association and local economic development organizations to have a first-class presence at the premier trade event in the industry, the BIO International Convention in New York. This will raise the visibility of the state to key decision makers in the industry, and assist small Colorado biosciences companies to make strategic partnerships to help ensure their success.

3. Community Assessments Program, Statewide - \$234,000

One of the best ways that the OEDIT has found to assist rural communities in their local economic development efforts is the Community Assessment Program. This program leverages the resources of OEDIT staff and volunteers from the economic development profession to conduct in-depth assessments of the economic development strengths, weaknesses, and opportunities of rural communities. The assessments are strictly on a voluntary, request basis.

Building on the past success of this program, OEDIT and the EDC partnered to expand the program to include marketing and branding assessments, using volunteers from the state's advertising and marketing professionals, and technology assessments, to assist rural communities to identify alternative steps to take advantage of telecommunications technology to foster their local economies. The EDC approved an award of up to \$234,000 over two years to reimburse participating volunteers for their travel and other out-of-pocket expenses.

4. Mile High Alliance, Metro Denver - \$30,000

During 2004, the OEDIT joined with the City and County of Denver and a number of other business, economic development, and tourism organizations to develop a coordinated branding and marketing strategy for the Denver metro area. Founding organizations include the Colorado Hotel and Lodging Association, the Colorado Restaurant Association, Denver International Airport, the Denver Metro Chamber of Commerce, the Denver Metro Convention & Visitors Bureau, the DIA Partnership, the Downtown Denver Partnership, the Metro Denver Economic Development Corporation, the Minority and Women's Chamber Coalition, the Scientific and Cultural Facilities District, and the World Trade Center. By providing a common set of marketing and public relations tools for these and other organizations to use, the Alliance will strengthen the state's ability to communicate its economic development and tourism messages to the world. The EDC provided a \$30,000 grant to assist in this on-going effort.

5. Nanotechnology Study, Statewide - \$50,000

Nanotechnology – the integration and manipulation of atoms and molecules to form devices and structures with application to industry and commerce – is one of the key technologies of the future. The EDC approved an award of \$50,000 to assist the University of Colorado Leeds School of Business to conduct a study and strategic plan for government, academia, and industry to develop a world-class presence in this technology. The study is still in the planning phase.

6. Pierre Auger Observatory Site Assistance - \$65,000

Southeastern Colorado was selected by an international consortium of physicists, the Pierre Auger Collaboration, as one of the finalist sites in the northern hemisphere to construct an array of detectors to study high-energy cosmic ray particles. The effort to attract this \$50 million facility to Colorado was endorsed unanimously by both houses of the General Assembly in 2004 (HJR 04-1033). The EDC provided an award of up to \$65,000 to the 5-county local organization, Southeast Colorado Enterprise Development, to assist them to prepare materials, make presentations to meetings of the physicists' organization, and to negotiate easements with local landowners for placing the detectors. A preliminary site selection decision is anticipated during 2005.

7. **Leadville Institute of Science and Technology, Lake County** – The Leadville Institute of Science and Technology (LIST) is a non-profit 501(c) 3 corporation that demonstrates technologies in a high elevation, cold climate environment. LIST proposes a feasibility study to determine the potential for a forest, wood-chip, bio-oil, hydrogen, fuel facility in Lake County, Colorado (an area targeted for thinning by the Healthy Forests Restoration Act). This study will define how much wood would be available in the San Isabel and Pike National Forest, and the potential end-users for the wood chips, the bio-oils, and ultimately the hydrogen. The feasibility study will also analyze how many jobs, both technically and vocationally, would be created. Lake County, Colorado is located in a state designated enterprise zone. If a hydrogen production/fuel cell pilot facility is found to be a viable option and is implemented, it would have a positive impact on the local and regional community. The new facility could potentially create up to 40 jobs by the second year of operations. The EDC approved a \$35,000 funding request for the proposed feasibility study subject to the documentation of new matching funds (such as from Rural Development) of at least \$1:\$1.

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 2004, the commission allocated a total of \$350,000 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 2004, the commission approved 8 requests for amendments to zone boundaries, 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. Pursuant to the statute, the commission must review and approve any new or changed project proposals. During 2004, it approved 38 new projects, for a total of 367 active projects.

Goal IV. Approve or deny requests for waivers of the “qualified business” criteria under the CAPCO Program: 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 2004, a CAPCO requested the EDC to review one business that did not meet all of the CAPCO program statutory and regulatory requirements, as follows:

- 1. Q Mark, Inc., Aurora, Colorado – proposed by Advantage Capital Colorado Partners I, LP (Advantage)** – Q Mark was founded in 1996. The Company provides decision support software and services for the collection and reporting of health care data for managed care organizations. The EDC recommended that Q Mark be eligible to receive funding from Advantage, a Colorado Certified Capital Company, and thereby waived the requirement for 75% of Q Mark’s total compensation to be paid to Colorado employees. Based on the EDC’s recommendation, OED approved Q Mark as an eligible business to receive this funding. Subsequently, Advantage reported that the business moved to Texas. Therefore, Advantage did not make an investment in the business.

Status of Projects Funded by the EDC in 2003

Business Expansion/Location Projects Funded in 2003

- 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 create a centralized data center. 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.

Double Click, Inc. has proceeded with its consolidation in Thornton and is in the process of finalizing its contract with the state.

- 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.

Echostar has proceeded with its expansion and is in the process of finalizing its contract with the state.

- 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. 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.

Sirenza has proceeded with its relocation of its headquarters. As of May 2003, Sirenza had created 69 new jobs in Broomfield with an average wage rate of \$48,328.33.

- 4. 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. 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.

The company's facility is being constructed. It is anticipated that the facility will be open by the fall of 2005 and the creation of new jobs in Colorado will begin.

- 5. 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. 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.

In-Situ has relocated its operations to Fort Collins and is in the process of finalizing its contract with the state.

- 6. 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. 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 has 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.

AAI has expanded its operations to Pueblo; however, AAI has not yet received all of the required FAA certifications. The EDC has expressed a willingness to consider an extension of time so that all of the required FAA certifications can be obtained. No EDC funds have been disbursed to date.

Projects in Rural Areas Funded in 2003

- 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 sent a letter to Equential Technologies 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.

Marketing Projects Funded in 2003

- 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.

Special Projects and Activities Funded in 2003

- 1. United States Olympic Committee, Colorado Springs** – Nearly 500 people are employed at the Colorado Springs USOC headquarters and training 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 was projected to generate more than \$32.5 million in travel revenue in 2003. There are more than 20 national Olympic sports organizations based in Colorado Springs. A

request was made to the EDC to support the USOC remaining in Colorado Springs through a sponsorship of the USOC's 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 Film Commission, Statewide** -- During the 2003 legislative session, funding for the Colorado Motion Picture & Television Commission (MPTV), which had been in existence since 1969, was eliminated. Three commission FTE were transferred to the Colorado Tourism Office in FY 03, and were discontinued in FY 2004. 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 MPTV 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 sought EDC support for a new public-private partnership. Previously called the Colorado Entertainment Industry Development Corporation, the partnership is now simply called the Colorado Film Commission. The partnership was formed by the State Office of Economic Development & International Trade and the University of Colorado at Denver & Health Sciences Center, with support from the film industry and local organizations. Once fully operational, the Colorado Film Commission will provide marketing, support services for production, support for local industry including job creation, growth through new economic development measures, and education. The Economic Development Commission awarded UCDHSC a grant of up to \$100,000 to initiate the new Colorado Film Commission and provide support of university resources. An executive director has been hired and will start work in early 2005, and will be responsible for raising on-going funding from local and private sector sources. The organization is a tenant in the Advance Colorado Center.

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 is sub-granted to microenterprise development organizations under a competitive RFP process. The targeted organizations include revolving loan funds, chambers of commerce, business associations and other entities with the capability of redistributing the funds to underserved businesses within the respective communities. 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.

CAMI held its first competitive cycle for applications in 2004 and approved funding for microenterprise development organizations in the amount of \$150,000 (with matching funds raised of at least \$150,000). CAMI has announced its second competitive cycle

with applications due in February 2005. The organization is a tenant in the Advance Colorado Center.

- 4. United States Air Force Space & Missile Systems Organization Relocation Study/Plan, Colorado Springs** -- This project studied 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. Defense industry sources believe that the Space and Missile Systems Center in Los Angeles may be closed as part of a future federal Base Realignment and Closure (BRAC) process. These space acquisitions functions could involve nearly 5,000 jobs. The City of Colorado Springs contracted with DFI International, an independent consulting firm, to conduct an impartial analysis of the business case for an optimal relocation of Air Force Space Command acquisition objectives. The study was completed in late 2004, and found that Colorado Springs ranked highly on the key criteria. Private contributions totaled \$100,000 for the project. The EDC provided a \$100,000 matching grant.
- 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. World Trade Center classes commenced in October, 2003. 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. The study's final report, including both statewide industry analyses and county-by-county results, is available on-line at OEDIT's web site, http://www.AdvanceColorado.com/bus_fin/IndStudy.shtml.

Certified Capital Companies (CAPCO) Program 2003

CAPCO Program Responsibility: In 2001, the EDC was given statutory authority regarding one aspect of the 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 request 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 2003, four businesses that did not meet all of 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 did not meet the state’s requirement for percent of compensation paid to Colorado employees since 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 reported that they funded Homesphere on February 9, 2004 in the amount of \$550,000 in the form of subordinated debt.
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 did not meet the state’s requirement for percent of compensation paid to Colorado employees since MeetingOne had 16 employees located in the US and 22 in France. The company pays an above average wage rate to its employees. The EDC recommended to the OED, that MeetingOne be considered eligible to receive funding from Enhanced, a Colorado Certified Capital Company. OED approved MeetingOne on September 22, 2003, as an eligible business to receive this funding. MeetingOne and Enhanced were unable to agree to terms. MeetingOne found funding outside the CAPCO Program.
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. GTE did not meet the state’s requirements for percent of net income from operations in Colorado and compensation paid to Colorado 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 reported that they invested \$1,000,000 in GTE in the form of subordinated debt on March 31, 2004.

Colorado

**COLORADO ENTERPRISE ZONES
ANNUAL REPORT
2005**

*Governor's Office of Economic Development and International Trade
and
Department of Local Affairs
February 2005*

2005 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.advancecolorado.com.

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 less than 5,000 jobs between 2001 and 2002, and about 30,000 jobs from calendar year 2002 to 2003. In rural enterprise zone counties, 10,000 jobs were gained in 2003. Urban enterprise zone counties (which include non-EZ as well as EZ areas) gained about 20,000 jobs in 2003. In 2002, rural EZ counties gained 16,000 jobs, while urban EZ counties lost 12,000.

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 6.2 percent in 2003, up from 5.8 percent in 2002, and 3.8 percent in 2001. In rural enterprise zones, the 2003 unemployment rate averaged 5.1 percent, up from 4.7 percent in 2002. The state's 2003 rate was 6.0 percent, up from 5.7 percent in 2002 and 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 urban 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. Per capita income for the state as a whole has grown by 105 percent over the past 15 years. Enterprise zone per capita incomes overall have kept pace, growing 103 percent from 1987 to 2002. 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 96 percent over the same 15-year period. However, the even more rapid growth of the remainder of the state resulted in a decline in rural EZ per capita income compared to the state average, to 74 percent (as compared with 77 percent in 1986). In 2001 and 2002, rural EZ counties' per capita income grew 3.6 and 1.5 percent, respectively, faster than the state average, resulting in a 3 percentage point improvement in their standing compared to the state average, from a low of 71 percent in 2000 to 74 percent in 2004.

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 number of businesses certifying potential enterprise zone tax credits in FY 2004 was 4,845, a decrease of 5 percent from 2003.
- Businesses certifying zone tax credits reported an increase in employment of 4,700 jobs in 2004, compared with a decrease of 3,000 jobs in 2003. Of the EZ certifiers, 1,244 reported an increase in employment over the year. The combined result of businesses that gained jobs, those that lost

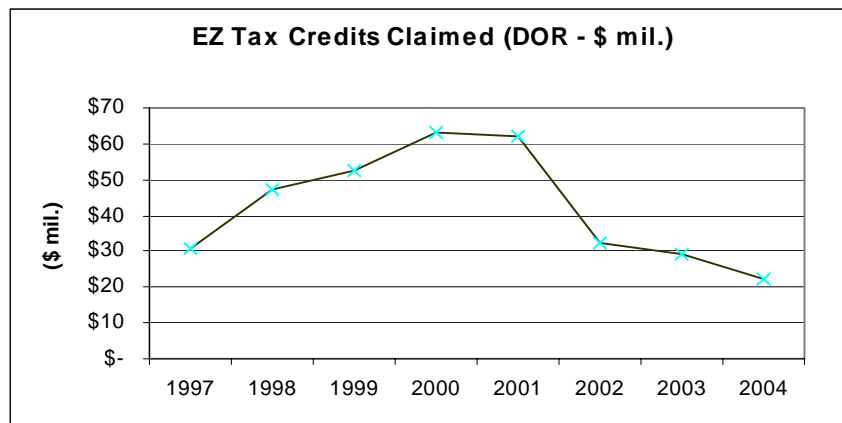
jobs over the year, and those whose employment remained the same was that these businesses retained 138,000 jobs. ("Jobs retained" is defined as employment at the beginning of the year for those certifiers with employment growth, plus employment at the end of the year for those reporting no employment growth.)

- Businesses certifying zone tax credits reported \$1.6 billion investment in new equipment used in enterprise zone businesses during FY 2004, down 33 percent from 2003's all-time high, but up 17 percent from 2002..
- Over 11,900 taxpayers contributed \$22.2 million to enterprise zone economic and community development projects in FY 2004, resulting in over \$4.9 million in potential tax credits. This was a 20 percent increase from FY 2003 and a 50 percent increase over FY 2002, but contribution credits are still only 42 percent of the peak year of 1998, when the General Assembly reduced this credit from 50% to 25%.

Credits Claimed vs. Credits Certified. Total EZ tax credits claimed with the Department of Revenue in FY 2004 were \$22 million, a continued decline of 24 percent from FY 2003 and 65 percent from 2001. Of this total, \$11 million were claimed by corporate taxpayers, and \$11 million by non-corporate taxpayers (individual contribution credits, plus sole proprietor, partnership and other non-corporate business credits). This decline reflected the continued effects of the economic downturn in the state of the past few years, with its accompanying decline in taxable business income.

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.

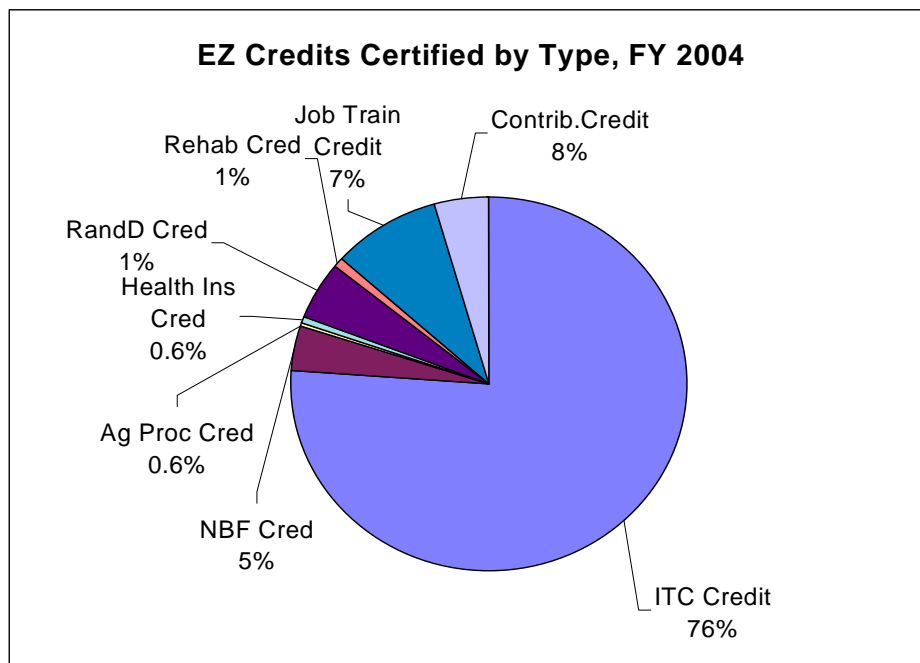
The amounts "claimed" with the Department of Revenue, on the other hand, are limited by each taxpayer's Colorado income tax liability each year. Potential credits earned in excess of the current year's tax liability may be carried forward to future tax years for a period specified by statute. Nevertheless, 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 7 percent was for the EZ job training tax credit, 6 percent was for the three new jobs tax credits, 8 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, and other activities specified for each credit:

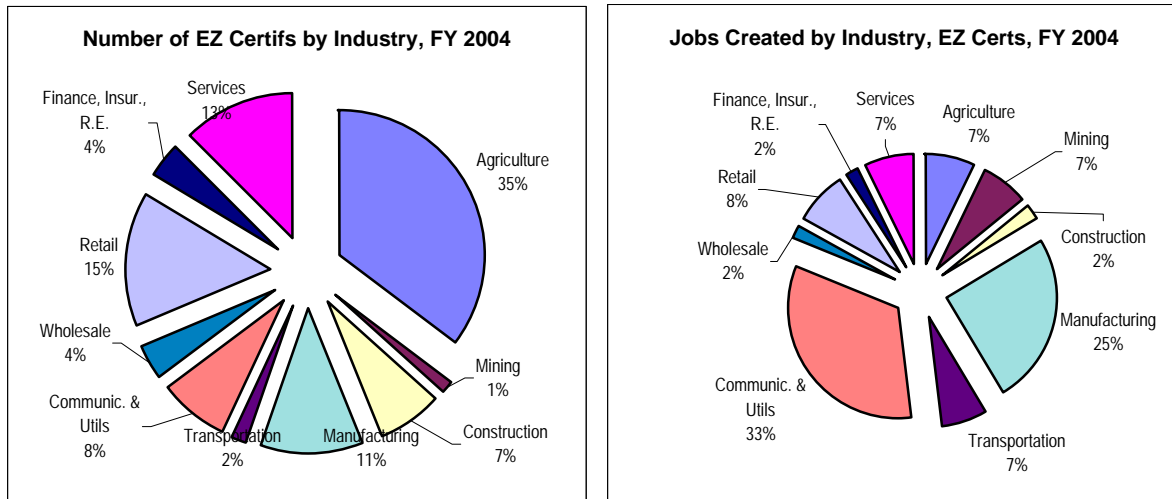


- 3 percent Investment Tax Credit: \$47.0 million certified, based on \$1.59 billion in qualifying capital investment by 4,519 zone certifiers.
- \$500 New Business Facility Jobs Credit: \$3.2 million, based on 7,408 qualifying new business facility jobs in 635 businesses.
- \$500 Ag Processing New Job Credit: \$360,000, 14 certifications.
- \$200, two-year Health Insurance-covered New Job Credit: \$383,000, 183 certifications.
- 10 percent Job Training Program Investment Credit: \$4.4 million, based on \$44 million of investment in programs to provide job training for 38,000 zone employees by 356 certifiers.
- 3 percent Credit for Increased Research & Development Expenditures: \$572,000, claimed by 33 taxpayers certifying \$65 million in qualifying R&D expenditures.
- 25 percent Credit for Qualified Expenses of Rehabilitating Older Vacant Buildings: \$645,000, based on \$3.8 million in qualifying expenses for rehabilitating 25 buildings.
- 25 percent Credit for Contributions to designated Enterprise Zone Projects: \$4.1 million, based on 9,300 contributions totaling \$18.4 million.

- The new Enhanced Rural Enterprise Zone credits for new jobs were authorized by the General Assembly in 2002 and first became available for tax years beginning January 1, 2003. These credits – an additional \$2,000 per New Business Facility job or \$2,500 per NBF job in agricultural processing – could have first been reported to EZ administrators during FY 2004. Twenty-five businesses in 9 of the 29 designated EZ counties certified a total of \$158,000 in EREZ credits. No EREZ agricultural processing jobs credits were certified.

Credits by Industry

- 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 were manufacturing and retail, and in terms of dollars of credits certified in FY 2004 were communications/utilities, followed by manufacturing.



Potential Revenue Gains

- 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 – based on the amount of investment certified by non-manufacturing businesses, this would amount to approximately \$30 million in FY 2004.
 - New investment by enterprise zone businesses added \$1.6 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 2004, 2,323 employees were reported as transferred to a zone facility from another location in the state. This represented 1.5% 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 2004:

Type of Employees:	Full-time	Part-time	Temporary	Contract
Avg. Annual Compensation	\$32,584	\$9,308	\$5,838	\$29,286
Total Number Employees for whom comp. reported	146,530	27,187	6,489	1,892
Avg. Number Employees Reported	50	20	25	15
Number of Certifications Reporting Employees & Comp. in Category	2,943	1,382	263	130

Compensation reported by enterprise zone certifiers is generally close to average earnings for all companies in the same county. Average full-time compensation reported increased \$169 from FY 2003.

Table 1, EZ Tax Credits Certified by Zone, Fiscal Year 2004

Zone	Total # Certs	\$ ITC	\$ NBF	\$ Ag Proc	\$ Hlth Ins	\$ Enh.Rural NBF	\$Train	\$ R and D	\$ Rehab	Total Bus	\$ Contribution Credit	Total Credits
Fiscal Year 2003-2004												
RURAL												
East Central	352	\$839,457	\$10,255	\$0		\$0	\$736		\$36,452	\$886,900	\$8,406	\$895,306
Mesa County	129	\$1,697,297	\$124,830		\$19,200	\$0	\$80,904		\$95,680	\$2,017,912	\$330,911	\$2,348,823
Northeast	883	\$3,698,570	\$14,977	\$4,500	\$1,266	\$4,000	\$67,924		\$61,724	\$3,852,961	\$132,956	\$3,985,918
Northwest	236	\$1,228,917	\$48,841		\$7,300	\$4,000	\$20,155		\$16,938	\$1,326,151	\$266,418	\$1,592,569
Region 10	291	\$800,966	\$84,335		\$19,650	\$11,500	\$14,228	\$14,467	\$57,005	\$1,002,151	\$42,086	\$1,044,237
San Luis Valley	380	\$1,445,344	\$11,960		\$916	\$3,000				\$1,461,220	\$182,542	\$1,643,762
South Central	166	\$3,786,928	\$214,231	\$4,000	\$6,017	\$60,000	\$44,846		\$125,000	\$4,241,022		\$4,241,022
Southeast	237	\$6,389,131	\$11,929			\$0	\$3,496			\$6,404,556	\$20,811	\$6,425,367
Southwest	259	\$1,211,527	\$116,487	\$3,250	\$13,433	\$16,472	\$54,964	\$1,846		\$1,417,979	\$223,382	\$1,641,360
Upper Ark	198	\$562,869	\$48,784			\$59,006	\$6,047	\$298		\$677,004	\$184,862	\$861,866
Subtotal	3,131	\$21,661,007	\$686,629	\$11,750	\$67,782	\$157,978	\$293,300	\$16,611	\$392,799	\$23,287,855	\$1,392,374	\$24,680,230
% of total:	64.6	46.1%	21.5%	3.3%	17.7%	100.0%	6.7%	2.9%	60.9%	41.1	28.3%	28.3%
URBAN												
Adams County	194	\$1,671,755	\$236,071		\$58,180	\$0	\$74,312	\$25,982	\$0	\$2,066,300	\$342,787	\$2,409,087
Arapahoe County	148	\$856,725	\$148,573		\$48,733	\$0	\$63,335	\$103,326		\$1,220,692	\$1,464	\$1,222,156
Denver	619	\$10,901,541	\$822,906	\$5,710	\$85,962	\$0	\$3,420,889	\$30,105	\$100,000	\$15,367,113	\$1,807,230	\$17,174,342
El Paso County	357	\$8,298,100	\$500,319		\$60,157	\$0	\$318,436	\$382,549	\$50,000	\$9,609,561	\$422,846	\$10,032,407
Greeley/Weld County	100	\$1,177,528	\$447,439	\$340,539	\$15,900	\$0	\$117,152	\$5,990	\$4,610	\$2,109,159	\$390,809	\$2,499,968
Jefferson County	119	\$826,789	\$175,621	\$1,600	\$13,234	\$0	\$9,601	\$0	\$47,679	\$1,074,524	\$158,283	\$1,232,807
Larimer County	79	\$493,446	\$37,111		\$5,250	\$0	\$5,389	\$332		\$541,528	\$308,362	\$849,890
Pueblo	98	\$1,078,214	\$145,892	\$500	\$28,234	\$0	\$83,882	\$7,319	\$50,000	\$1,394,041	\$98,741	\$1,492,782
Subtotal	1,714	\$25,304,098	\$2,513,932	\$348,349	\$315,650	\$0	\$4,092,997	\$555,603	\$252,289	\$33,382,918	\$3,530,522	\$36,913,440
% of total:	35.4	53.9%	78.5%	96.7%	82.3%	0.0%	93.3%	97.1%	39.1%	58.9	71.7%	71.7%
Year Total	4,845	\$46,965,105	\$3,200,561	\$360,099	\$383,432	\$157,978	\$4,386,296	\$572,214	\$645,088	\$56,670,773	\$4,922,896	\$61,593,669
Credits by Type as percent of:												
% of total business credit		82.9%	5.6%	0.6%	0.7%	0.3%	7.7%	1.0%	1.1%	100.0%		
% of total credit		76.2%	5.2%	0.6%	0.6%	0.3%	7.1%	0.9%	1.0%	92.0%	8.0%	100.0%

**Table 2, Total Enterprise Zone Tax Credits Certified by EZ's and Claimed with DOR, FY
1998 - FY 2004**

(\$ 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		
1998	\$47.1	\$29.0	\$22.9	\$2.4	\$1.8	\$1.9	\$18.1	\$82.9	57%
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	78.6	80%
2001	62.1	44.2	34.4	5.0	1.2	3.6	17.9	68.7	89%
2002	32.4	18.6	12.3	3.4	0.9	1.9	13.8	56.2	57%
2003	29.2	17.9	13.5	2.3	0.4	1.7	11.3	92.3	32%
2004	22.1	11.4	7.2	2.3	0.6	134	10.7	61.6	36%

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