



**COLORADO ECONOMIC  
DEVELOPMENT COMMISSION**

**ACTIVITY REPORT  
2002**

*Office of Economic Development and International Trade  
February 2003*

# STATE OF COLORADO

## OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

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February 21, 2003

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*Motion Picture &  
Television Commission*

*Colorado Tourism Office*

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 2002. The report contains information on projects supported by the EDC in CY 2002, as well as the status of initiatives funded in CY 2001.

Over the past year, the EDC continued to emphasize businesses throughout rural Colorado, including Otero, Prowers and Conejos counties, and also supported several new marketing alliances in rural areas of the state. The commission assisted with a number of high profile events, such as the International Chamber of Commerce 34<sup>th</sup> World Congress in Denver and the International Sports Federation in Colorado Springs, which focused national and international attention on the state.

Over the next year, as Colorado continues to face a challenging economic climate, the Economic Development Commission is committed to assisting communities throughout the state retain and create jobs and to strengthening Colorado's economy.

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

Sincerely,

Richard L. Robinson  
Chairman

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| <b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2002</b> |                 |               |                                                                |               |
|-----------------------------------------------------------------------|-----------------|---------------|----------------------------------------------------------------|---------------|
| <b>PROJECT</b>                                                        | <b>AREA</b>     | <b>EDC \$</b> | <b>OTHER \$/ SOURCE</b>                                        | <b>STATUS</b> |
| Renaissance Mark                                                      | Denver          | \$50,000      | \$160,000 /Local                                               | Pending       |
| Structural Component Systems                                          | Weld County     | \$132,000     | \$62,928/Local<br>\$48,448 Colorado First                      | Pending       |
| Premier Roasters                                                      | Otero County    | \$80,000      | \$1,115,000/Local                                              | Pending       |
| Neoplan US Corporation                                                | Prowers County  | \$500,000     | \$10,260,000/Local & Private                                   | Pending       |
| Cumbres & Toltec Railroad                                             | Conejos County  | \$90,000      | \$350,000/State of Colorado &<br>\$440,000/State of New Mexico | Contracted    |
| Northeastern Colorado Marketing Alliance                              | NE Colorado     | \$75,000      | \$75,000 /Local                                                | Contracted    |
| Sangre de Cristo Marketing Alliance                                   | San Luis Valley | \$60,000      | \$100,000 /Local                                               | Contracted    |
| Arkansas Valley Area Marketing Coalition                              | Arkansas Valley | \$50,000      | \$52,500/Local                                                 | Pending       |
| Agricultural International Trade Promotion Program                    | Statewide       | \$20,000      | \$20,000/Private                                               | Contracted    |
| Colorado Proud -- Department of Agriculture Marketing                 | Statewide       | \$20,000      | \$20,000 /State & Private                                      | Contracted    |
| Metro Denver Sports Commission                                        | Statewide       | \$25,000      | \$375,000/Local & Private                                      | Completed     |
| Economic Development Commission Marketing                             | Statewide       | \$100,000     | N/A                                                            | Contracted    |
| Mexicana Airlines                                                     | Statewide       | \$500,000     | \$1,000,000/Local & Private                                    | Contracted    |
| Bio-Sciences Study                                                    | Statewide       | \$50,000      | \$135,000/Local, State & Private                               | Contracted    |

| <b>PROJECT</b>                                   | <b>AREA</b>      | <b>EDC \$</b> | <b>OTHER \$/ SOURCE</b>    | <b>STATUS</b> |
|--------------------------------------------------|------------------|---------------|----------------------------|---------------|
| Colorado Space Advocate                          | Statewide        | \$60,000      | \$146,000 / Private        | Contracted    |
| International Chamber of Commerce World Congress | Denver           | \$75,000      | \$500,000/Local & Private  | Completed     |
| International Sports Federation                  | Colorado Springs | \$30,000      | \$225,000 /Local & Private | Completed     |

| <b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2002</b> |                  |               |                         |               |
|-----------------------------------------------------------------------|------------------|---------------|-------------------------|---------------|
| <b>PROJECT</b>                                                        | <b>AREA</b>      | <b>EDC \$</b> | <b>OTHER \$/ SOURCE</b> | <b>STATUS</b> |
| 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             | Contracted    |
| San Luis/Upper Ark. EZ Marketing                                      | Multi County     | \$25,000      | \$25,000/EZ             | Contracted    |
| 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    |

## INTRODUCTION

During 2002, the Economic Development Commission (EDC) continued to provide support to businesses and communities throughout Colorado, with the objective of retaining and creating jobs and helping to strengthen the economy. To that end, the EDC allocated funds for business development projects in a number of rural counties, as well as in Front Range communities. The EDC also continued to assist in the development of new marketing alliances in rural areas of the state and provided ongoing support for the state's Enterprise Zone program.

A number of technology initiatives also received EDC support. These included a bio-sciences study and the Colorado Space Advocate's office. The commission participated in initiatives that have focused international attention on the state, including the International Chamber of Commerce 34<sup>th</sup> World Congress held in Denver and the International Sports Federation Annual Congress in Colorado Springs.

The EDC was also given new statutory responsibility by the Legislature. Per H.B.01-1097, which created the Certified Capital Companies (CAPCO) program, the commission was authorized to provide a business not meeting all of the eligibility requirements under the CAPCO statute with a waiver. A waiver may be granted if the EDC determines that the specific business will further the economic development of the state. The commission approved two waivers in 2002. Per H.B.02-1399, the Legislature also required that Business Incentive Agreements be reviewed by the EDC before a school district enters into an agreement with a business. The commission reviewed one BIA in 2002.

Finally, the EDC's focus on rural communities is demonstrated by the following table, which includes awards made in 2002 by project location:

| <b>Region</b>         | <b>Number of Projects</b> | <b>Percentage of Total Projects</b> | <b>Award Amount</b> | <b>Percentage of Total Dollars</b> |
|-----------------------|---------------------------|-------------------------------------|---------------------|------------------------------------|
| Rural                 | 15                        | 44%                                 | \$1,080,000         | 48%                                |
| Statewide             | 5                         | 15%                                 | \$ 250,000          | 11%                                |
| Urban                 | 14                        | 41%                                 | \$ 900,000          | 40%                                |
| <b>Total for Year</b> | <b>34</b>                 |                                     | <b>\$2,230,000</b>  |                                    |

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 2002**

During 2002, the EDC collaborated with regional economic development organizations and marketing coalitions, local governments, the Office of Economic Development and International Trade, and the Colorado Department of Agriculture to support a variety of businesses, marketing activities and special events throughout the state. The EDC continued to focus on rural communities and small businesses and participated in projects that will bring quality jobs to rural and urban regions.

**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. 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 will 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 headquarter staff. The City and County of Denver will provide 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.
- 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 will contribute \$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.

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

- 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 will lease the building from the city. The company plans 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.
- 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 is strong as the federal funding for mass transit programs continues to increase. Neoplan requested that the EDC participate in providing \$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 in Lamar, 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.

- 3. Cumbres & Toltec Railroad, Conejos County** -- 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 and Toltec Scenic Railroad is a critical component of the area's economy. The Cumbres and Toltec Scenic Railroad Commission requested a total of \$440,000 from Colorado and from New Mexico for six capital improvement projects. New Mexico granted the full \$440,000. Colorado provided an FY 2003 General Fund appropriation of \$170,000 and an additional \$180,000 through a grant from the Colorado Historical Society Fund. The Economic Development Commission approved a grant in the amount of \$90,000 to support projects essential to the successful operation of the railroad. The total contribution from Colorado equals \$440,000, which fully matches New Mexico's contribution.

**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. 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, trade shows and 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 is a new regional marketing alliance between Pueblo and the San Luis Valley created 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 each contributed \$50,000 for a \$100,000 match. The economic development marketing program includes 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.
- 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 --** The Department of Agricultural International Trade Promotion Program (AITTP) requested a \$20,000 matching grant from the EDC to assist food processors and ag producers to market their products to international buyers. During FY 2002, the program supported companies and ranchers from 7 counties in Colorado, providing 12 grants that averaged \$1,249 per company, generating approximately \$669,000 in sales. This year, AITTP proposes to allow funds to also be used to assist inbound buying missions that have been approved by the Commissioner of Agriculture. The EDC awarded the Agriculture International Trade Promotion Program a \$20,000 matching grant for this project.
  
- 5. Department of Agriculture Colorado Proud Program, Statewide –**  
In 1998 and 1999, the EDC provided two grants totaling \$27,500 to the Colorado Department of Agriculture to develop and begin marketing a new logo, “Colorado Proud,” for identification and promotion of Colorado food and agricultural products. In November 2000, the EDC approved an additional \$10,000 grant for further development of the program, focusing on media, retailer and restaurant promotion. The program has now grown to 268 licensed participants and achieved nearly 30 million impressions on their website during last summer’s media campaign. The 2002 program includes increased awareness of the Colorado Proud program through an intensive advertising campaign, featuring radio, outdoor and bus advertisements. Colorado Proud companies will be encouraged to participate in co-op advertising opportunities in order to extend the reach of the advertising dollars. The total budget for the 2002 media campaign is \$26,297. The Ag Department committed to raising \$20,000, including \$10,000 through co-op advertising and the third annual Colorado Proud banquet. The EDC approved a \$20,000 matching grant to be used for the Colorado Proud marketing program.
  
- 6. Metro Denver Sports Commission, Statewide --** The Metro Denver Sports Commission was created 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 the metro area. Some of the targeted events include a college bowl game, the Women’s and Men’s Basketball Regionals for the Final Four, the Frozen Four, and the US or World Figure Skating Championship. The commission is currently working on the 2004 Big XII Football Championship and the 2004 ESPN X Games. These events will showcase Colorado as a major sports community, provide outstanding media coverage and increase travel and tourism to the state. In addition, direct economic benefits will be realized as a result of dollars spent in the state by event participants, fans and media. The EDC approved a \$25,000 grant to assist in these

efforts. The Denver Office of Economic Development and International Travel, the Denver Metro Chamber of Commerce, the Denver Metro Convention and Visitors Bureau, the Denver Broncos and Kronke Sports Enterprises have each made three-year commitments of \$25,000 per year.

- 7. Economic Development Commission Marketing, Statewide --** The Economic Development Commission is responsible for a variety of marketing and advertising activities. These include supporting trade shows such as Locations Expo (Los Angeles), World Dairy Expo (Madison), National Business Aviation Association (Orlando), Institute of Food Technologists (Chicago), Manufacturing Week (Chicago), and Photonics West (San Jose). Additionally, although the state has not had an overall economic development print advertising campaign in the past several years, some targeted advertising may be necessary as a result of the weaker economy and the loss of a number of businesses and jobs over the past eighteen months. Finally, funds for special promotional items and to respond to unforeseen events (e.g. the fire at Mesa Verde) are needed.

Per the EDC statute, the commission has the responsibility to “review and recommend to the governor expenditures of moneys of the fund for economic incentives and marketing.” It is therefore appropriate for the commission to approve funding for the state’s marketing activities. The EDC approved \$100,000 for statewide marketing projects, which includes funding for trade shows, advertising, promotional activities/items and special activities, with allocation of funds determined by OED director, who serves on the Economic Development Commission.

- 8. Mexicana Airlines, Statewide –** Mexicana Airlines sought to expand their service and establish a daily non-stop flight between Mexico City and Denver. Denver International Airport awarded a \$1 million marketing grant to Mexicana to promote a daily non-stop flight between Mexico City and Denver. Daily non-stop international flights are powerful economic engines for the state. The daily British Airways flight and the daily Lufthansa flight each generates between \$250-300 million annually to Colorado’s economy. A flight between Denver and Mexico City will enhance opportunities for the more than 475 Colorado companies that export to Mexico. Colorado’s export statistics indicate that commerce between Colorado and Mexico is growing. Colorado companies with operations in Mexico include ConAgra, HIS, IMI Norgren, Johns Manville and MicroMotion. Mexico is Colorado’s seventh largest export destination. The Colorado tourism industry will also experience benefits from the flights. Skiers from Mexico comprised 30 percent of all international skiers in Colorado in 1999-2000. The EDC awarded Mexicana with a \$500,000 marketing grant to assist in promoting and marketing the daily non-stop flight between Denver and Mexico City.

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

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 is 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 support this project. The CIT is contributing \$75,000, the MDN is contributing \$20,000, and the Colorado Biotechnology Council will provide \$40,000 for this project. The EDC awarded a matching grant of \$50,000.
  
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 has raised \$100,000 and local organizations will raise \$46,000 for this effort over a three-year period.

3. **International Chamber of Commerce 34<sup>th</sup> World Congress, Denver** -- Founded in 1919, 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. Every other year, the ICC hosts the "World Congress" for international and government leaders. The event is held in locations throughout the world, most recently in Budapest and Geneva. The 34<sup>th</sup> World Congress was held on May 6-8, 2002 in Denver. This is the first time in 25 years that it has been held in the U.S. World leaders, international CEOs, media and others attended this prestigious event.

The Congress explored a variety of topics important to Colorado, such as prospects for the expansion of international trade, including developing countries, environmental and labor issues, privacy, electronic commerce, etc. Post Congress activities encouraged delegates to travel within the state. A variety of business events and networking activities provided Colorado-based businesses with opportunities to meet with potential international business partners and discuss Colorado's business climate and international initiatives with delegates and media. The EDC approved a \$75,000 grant to support operations of the International Press/Message Center, sponsor a major luncheon event for delegates at the Colorado History Museum and a VIP dinner at the Governor's Residence, support delegate transportation costs and help cover audio-visual equipment costs. The ICC received \$500,000 in other commitments.

- 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 on November 21-25, 2002 at the Broadmoor Hotel in Colorado Springs. This was the first time since 1987 that the event was held in the United States. The GAISF Congress included 500 leaders from the international sports world, representing 96 international sports federations, including Olympic and non-Olympic summer and winter sports. Total attendance was estimated at between 600 and 700. According to the International Association of Convention and Visitors Bureaus, the impact is expected to exceed \$497,000.

Additionally, the Congress was an opportunity to showcase Colorado, as well as a chance to interact with other international sports federations about the possibility of relocating to Colorado. In Colorado Springs, where 45 national and international sports organizations are headquartered, the sports industry represents approximately 1,500 jobs and contributes more than \$150 million annual to the local economy. Funding commitments totaling \$225,000 were made by the El Pomar Foundation, the U.S. Olympic Committee and the Broadmoor Hotel at \$75,000 each. The EDC approved a \$30,000 matching grant to the International Sports Federation to cover costs related to the Colorado sports exhibits and the media and public relations activities.

**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 2002, the commission allocated a total of \$313,000 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.

- 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. New legislation, 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 2002, it approved 31 new projects, including 14 community development projects, that will start in 2003, for a total of 283 active projects.

### **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.state.co.us/oed](http://www.state.co.us/oed).

#### **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**

- Based on data from the Colorado Department of Labor & Employment, Colorado's economy lost about 3,400 jobs from calendar year 2000 to 2001. In rural enterprise zone counties, 3,100 jobs were lost in 2000 and 1,000 more in 2001. Urban zone counties were still gaining about 9,800 jobs in 2000, but lost 5,100 in 2001. Between 1990 and 2000, 46 percent of state job growth was in enterprise zone counties, compared to 13 percent of the state job growth in the same counties prior to the zone program, between 1980 and 1985. Between 1990 and 2000, 14 percent of state job growth was in rural enterprise zones, compared with a loss of jobs in the rural counties during the early 1980s. (Note: Enterprise zones in urban counties only cover parts of the county, but data are available only at the county level.)
- Unemployment in zone counties averaged 5.4 percent in 2002 (preliminary), up from 3.8 percent in 2001, and in rural enterprise zones, the preliminary 2002 unemployment rate averaged 4.5 percent, up from 3.9 percent in 2001. The state's preliminary 2002 rate was 5.3 percent, up from 3.7 percent in 2001. 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).
- Since 1990, rural enterprise zones in eastern and southern Colorado have started to regain population, although at slower growth rates than the state average. These areas were losing population during the 1980s.

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

### **Statistics for Companies Claiming Enterprise Zone Tax Credits**

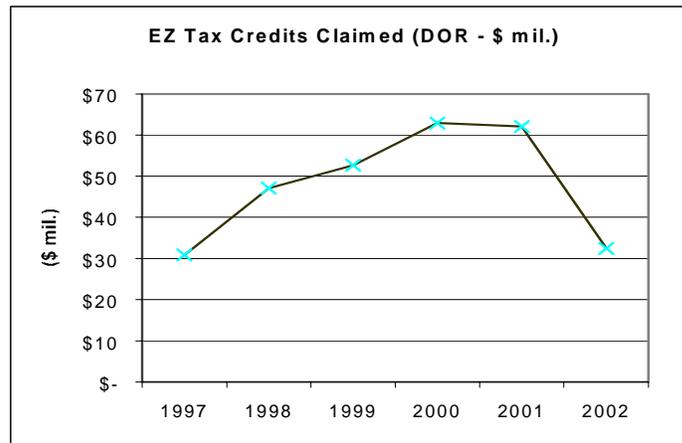
The Enterprise Zone statute specifies that a variety of statistics for companies claiming Colorado enterprise zone income tax credits are to be reported by local enterprise zone administrators and summarized in this Annual Report. Statistics for companies claiming enterprise zone tax credits are collected 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 2002 was 5,452, an increase of 6 percent from 2001.
- Businesses certifying zone tax credits created over 8,600 new jobs in 2002, a decline of about 60 percent from 2001. This was the smallest figure since 1992. They also retained 138,000 jobs. These figures are the combined result of businesses that gained jobs, those that lost jobs over the year, and those whose employment remained the same.
- Businesses certifying zone tax credits invested over \$1.4 billion in new equipment used in enterprise zone businesses during FY 2002, down 19 percent from 2001.
- Over 8,000 taxpayers contributed \$14.7 million to enterprise zone economic development and homeless assistance projects in FY 2002, resulting in over \$3.2 million in potential tax credits. This was a 60 percent decrease from FY 2001 and a 72 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 2002 were \$32 million, down 48 percent from the level of FY 2001 and 2000. Of this total, \$18 million were claimed by corporate taxpayers, and \$14 million by non-corporate (individual contribution credits, plus sole proprietor, partnership and other non-corporate business credits). This dramatic decline reflected the economic downturn in the state, with its accompanying decline in business investment and job creation, as well as the decline in taxable business income. In addition, the amount of credits for contributions to enterprise zone projects (a large part of non-corporate credits) continued to decline as the legislated reduction in the credit rate from 50 percent to 25 percent was completely phased in.

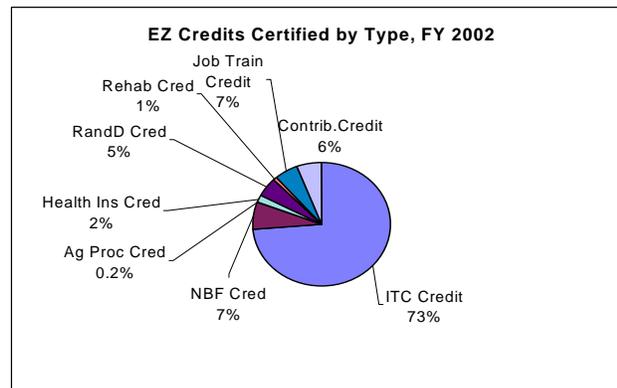
The total credit amounts reported on the Certification forms and compiled for this report typically exceed the total amount of EZ tax credits actually claimed and reported by the Department of Revenue as reductions in each year's tax liability. The amounts "certified" represent *potential* credits for 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

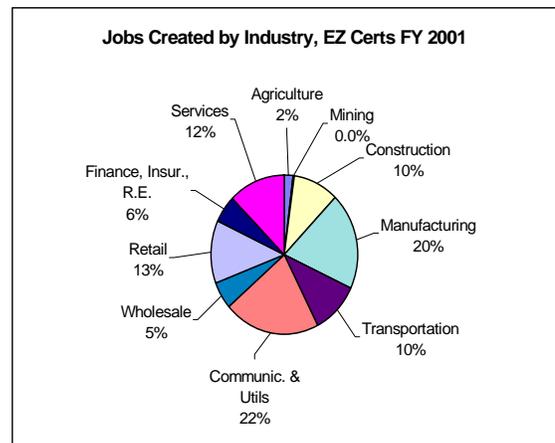
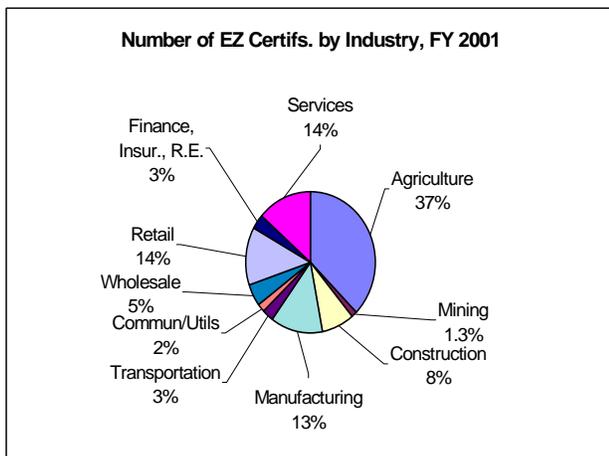
- Approximately 73 percent of the estimated dollar value of credits certified was for the enterprise zone investment tax credit. Approximately 6 percent was for the EZ job training tax credit, 9 percent was for the three new jobs tax credits, 6 percent for enterprise zone project contribution tax credits, 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: \$41.6 million certified, based on \$1.386 billion in qualifying capital investment in 5,148 zone businesses.
- \$500 New Business Facility Jobs Credit: \$4.1 million, based on 8,230 qualifying new business facility jobs in 669 businesses. (Note: the 8,600 new jobs cited above includes jobs created by businesses that did not qualify under the New Business Facility criteria.)
- \$500 Ag Processing New Job Credit: \$85,000, 16 certifications.
- \$200, two-year Health Insurance-covered New Job Credit: \$963,000, 304 certifications.
- 10 percent Job Training Program Investment Credit: \$3.2 million, based on \$32 million of investment in programs to provide job training for 25,600 zone employees by 300 certifiers.

- 3 percent Credit for Increased Research & Development Expenditures: \$2.8 million, claimed by 41 taxpayers certifying \$198 million in qualifying R&D expenditures.
- 25 percent Credit for Qualified Expenses of Rehabilitating Older Vacant Buildings: \$502,000, based on \$2 million in qualifying expenses for rehabilitating 28 buildings.
- 25 percent Credit for Contributions to designated Enterprise Zone Projects: \$3.2 million, based on 8,050 contributions totaling \$14.7 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 services and communications/utilities. For certifications filed in FY 2002, the percentage of credits claimed by communications/utilities taxpayers declined significantly, and the share of job creation increased in manufacturing and services but declined in construction and transportation, as compared with the 2001 data shown below.



- 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 \$27 million in FY 2002.
  - New investment by enterprise zone businesses added \$1.4 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.

Table 1, EZ Tax Credits Certified by Zone, Fiscal Year 2002

| Zone                                  | Total #<br>Certs | \$ ITC              | \$ NBF             | \$ Ag Proc      | \$ Hlth Ins      | \$ Train           | \$ R and D         | \$ Rehab         | Total Bus           | \$ Contribution<br>Credit | Total<br>Credits    |
|---------------------------------------|------------------|---------------------|--------------------|-----------------|------------------|--------------------|--------------------|------------------|---------------------|---------------------------|---------------------|
| <b><u>RURAL</u></b>                   |                  |                     |                    |                 |                  |                    |                    |                  |                     |                           |                     |
| East Central                          | 808              | \$1,679,640         | \$23,040           |                 | \$1,600          | \$3,000            |                    | \$814            | \$1,708,094         | \$4,094                   | \$1,712,188         |
| Mesa County                           | 88               | \$762,383           | \$50,030           |                 | \$9,767          | \$38,457           | \$1,767            | \$37,143         | \$899,547           | \$81,230                  | \$980,777           |
| Northeast                             | 982              | \$4,100,834         | \$14,042           | \$5,000         | \$18,400         | \$71,569           | \$11,110           | \$21,730         | \$4,242,685         | \$64,628                  | \$4,307,313         |
| Northwest                             | 248              | \$1,272,051         | \$30,474           |                 | \$6,160          | \$4,681            | \$0                |                  | \$1,313,366         | \$111,306                 | \$1,424,672         |
| Region 10                             | 330              | \$2,373,761         | \$72,130           |                 | \$13,498         | \$2,008            | \$1,691            | \$119,408        | \$2,582,496         | \$91,667                  | \$2,674,163         |
| San Luis Valley                       | 398              | \$1,271,221         | \$20,497           | \$0             | \$6,917          | \$2,869            |                    | \$1,445          | \$1,302,949         | \$141,548                 | \$1,444,498         |
| South Central                         | 76               | \$2,849,994         | \$49,750           |                 | \$10,200         | \$8,016            | \$0                |                  | \$2,917,960         |                           | \$2,917,960         |
| Southeast                             | 320              | \$775,867           | \$3,833            | \$1,125         | \$1,000          | \$2,091            |                    |                  | \$783,916           | \$10,375                  | \$794,291           |
| Southwest                             | 297              | \$1,007,335         | \$98,495           |                 | \$10,200         | \$98,601           |                    | \$86,321         | \$1,300,952         | \$120,381                 | \$1,421,333         |
| Upper Ark                             | 179              | \$428,964           | \$58,251           |                 | \$4,700          | \$19,814           |                    |                  | \$511,729           | \$85,710                  | \$597,439           |
| <b>Subtotal</b>                       | <b>3,726</b>     | <b>\$16,522,051</b> | <b>\$420,542</b>   | <b>\$6,125</b>  | <b>\$82,442</b>  | <b>\$251,106</b>   | <b>\$14,568</b>    | <b>\$266,861</b> | <b>\$17,563,695</b> | <b>\$710,939</b>          | <b>\$18,274,634</b> |
| % of total:                           | 68.3             | 39.7%               | 10.2%              | 7.2%            | 8.6%             | 7.8%               | 0.5%               | 53.1%            | 32.9                | 21.8%                     | 21.8%               |
| <b><u>URBAN</u></b>                   |                  |                     |                    |                 |                  |                    |                    |                  |                     |                           |                     |
| Adams County                          | 147              | \$1,217,702         | \$391,616          | \$56,125        | \$86,084         | \$548,081          | \$14,108           |                  | \$2,313,716         | \$133,013                 | \$2,446,729         |
| Arapahoe County                       | 123              | \$489,339           | \$140,502          |                 | \$35,083         | \$41,186           | \$96,887           | \$0              | \$802,997           | \$2,228                   | \$805,224           |
| Denver                                | 600              | \$8,508,781         | \$991,886          | \$11,177        | \$177,390        | \$720,933          | \$72,776           | \$196,718        | \$10,679,661        | \$1,677,234               | \$12,356,894        |
| El Paso County                        | 380              | \$8,364,715         | \$1,336,005        |                 | \$363,851        | \$665,781          | \$2,586,296        | \$38,873         | \$13,355,521        | \$216,012                 | \$13,571,533        |
| Greeley/Weld County                   | 91               | \$2,383,761         | \$98,255           |                 | \$19,307         | \$237,116          | \$10,421           |                  | \$2,748,860         | \$129,207                 | \$2,878,067         |
| Jefferson County                      | 204              | \$2,332,970         | \$341,900          |                 | \$112,228        | \$641,446          | \$0                | \$0              | \$3,428,544         | \$136,032                 | \$3,564,575         |
| Larimer County                        | 92               | \$393,811           | \$79,500           | \$11,955        | \$11,760         | \$4,421            | \$3,277            |                  | \$504,724           | \$178,311                 | \$683,035           |
| Pueblo                                | 89               | \$1,374,087         | \$317,166          | \$0             | \$75,300         | \$128,040          | \$37,240           | \$0              | \$1,931,833         | \$81,258                  | \$2,013,091         |
| <b>Subtotal</b>                       | <b>1,726</b>     | <b>\$25,065,166</b> | <b>\$3,696,829</b> | <b>\$79,257</b> | <b>\$881,003</b> | <b>\$2,987,004</b> | <b>\$2,821,005</b> | <b>\$235,591</b> | <b>\$35,765,854</b> | <b>\$2,553,294</b>        | <b>\$38,319,149</b> |
| % of total:                           | 31.7             | 60.3%               | 89.8%              | 92.8%           | 91.4%            | 92.2%              | 99.5%              | 46.9%            | 67.1                | 78.2%                     | 78.2%               |
| <b>Year Total</b>                     | <b>5,452</b>     | <b>\$41,587,217</b> | <b>\$4,117,371</b> | <b>\$85,382</b> | <b>\$963,444</b> | <b>\$3,238,110</b> | <b>\$2,835,573</b> | <b>\$502,452</b> | <b>\$53,329,549</b> | <b>\$3,264,233</b>        | <b>\$56,593,782</b> |
| <b>Credits by Type as percent of:</b> |                  |                     |                    |                 |                  |                    |                    |                  |                     |                           |                     |
| % of total business credit            |                  | 78.0%               | 7.7%               | 0.2%            | 1.8%             | 6.1%               | 5.3%               | 0.9%             | 100.0%              |                           |                     |
| % of total credit                     |                  | 73.5%               | 7.3%               | 0.2%            | 1.7%             | 5.7%               | 5.0%               | 0.9%             | 94.2%               | 5.8%                      | 100.0%              |

**Table 2, Total Enterprise Zone Tax Credits "Certified" by EZ's and "Claimed" with DOR, FY 1998 - FY 2002**

| (\$ mil.) | Claimed with Department of Revenue |        |                 |           |                |                |             | Certified by EZ Administrator | DOR as % Certif. |
|-----------|------------------------------------|--------|-----------------|-----------|----------------|----------------|-------------|-------------------------------|------------------|
|           | Fiscal Year                        | Total  | Total Corporate | 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        | 78.8                          | 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%              |

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

**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 intends to employ 40 full-time equivalents worldwide in 2002 with an average annual wage of approximately \$65,000 excluding benefits. Employment in Colorado is 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. At this time, it is only a remote possibility that this project will receive funding from the CAPCO program.
2. **Save More Resources, Inc. (SMR), Grand Junction – proposed by Enhanced Colorado Issuer, LLC (Enhanced)** – SMR, headquartered in Colorado, helps their 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 estimates 25 additional jobs will be created in the next 6 months, of which 18 are 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.

## **V. Review of Business Incentive Agreements**

Colorado state law authorizes municipalities, counties, and school districts to negotiate on a case-by-case basis "Business Incentive Agreements" ("BIA's") for partial property tax relief with businesses that have qualifying new or expanded business facilities. Such incentive agreements may be for up to 50 percent of the personal property tax levy, for a maximum duration of 10 years. In the case of BIA's with school districts, new legislation (H.B. 02-1399) requires that such agreements be reviewed by the EDC before the district may enter into the agreement.

During 2002, the EDC reviewed one BIA, between Weld County School District #6 regarding Structural Component Systems, Inc., a manufacturer of building trusses that located a new facility in Greeley and created over 60 new jobs.

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### **Status of Projects Funded by the EDC in 2001**

#### **Business Expansion/Location Projects Funded in 2001**

- 1. CAE Electronics, Ltd., Denver City and County** – CAE Electronics, Ltd., headquartered in Canada, designs and manufactures 88 percent of the world's commercial and military airline simulators and provides simulator-training services to regional commercial airlines and smaller carriers. CAE Electronics has located in Denver and built its flight simulator-training center. CAE has already installed three flight simulators and is on track to create 70 full-time jobs, with an average annual wage rate of \$47,636 (without benefits) and \$57,163 (with benefits) in Denver. The City of Denver provided CAE with a total of \$400,000 in incentives. The EDC awarded a \$105,000 performance-based grant. It is anticipated that the EDC will disburse \$33,000 on or before May 31, 2003 after all documentation has been received and the company has created 22 jobs. The balance will be disbursed on or before May 31, 2004 upon documentation that CAE has created the additional 48 jobs.
- 2. MSS Group, Inc., Pueblo County** – MSS Group, Inc. has its main operation center in Castle Rock and one in Gainesville, GA. The company sought EDC funds to expand their operations in Pueblo County. MSS Group, Inc. specializes in telecommunications billing and expense management/verification services for business customers nationwide with plans to expand globally. The site selected for expansion is located within a state designated enterprise zone, an "economically lagging" area. The company will hire 161 employees over three years, with an average annual wage rate between \$23,000 - \$55,000 for 126 new employees and \$8-\$13/hour for 35 new employees. The average wage level exceeds Pueblo County's average wage rate for all industries. The Pueblo Economic Development Corporation structured a local incentive package worth approximately \$950,500. MSS Group, Inc. received customized training funds from the state in the amount of \$13,500. The EDC awarded a performance-based grant of \$125,000. MSS has

expanded in Pueblo County. Funds will be disbursed on an annual basis at the rate of \$800/job as new employment at the required salary level is documented.

## **Projects in Rural Areas Funded in 2001**

- 1. Community Assessment Program, Statewide** – Rural communities often do not have the resources to produce sophisticated economic development plans and/or to hire economic development professionals. Many of these lagging economies need assistance in identifying their challenges and opportunities and developing strategies to address them. Conducting community assessments is a first step to creating such strategies.

The Economic Development Commission in late 2000 approved a \$25,000 grant to match approximately \$27,000 of in-kind services by the Economic Developers' Council of Colorado (EDCC) in order to establish a statewide economic development community assessment program. The Office of Economic Development & International Trade and the Economic Developers' Council of Colorado have jointly conducted the program. Teams of 5-6 economic development experts assisted five counties and towns in 2001: Costilla County, Olathe, Rangely, Kiowa County, and Washington County. The expert teams were effective in reviewing community demographics and economic indicators, meeting with community leaders, performing a SWOT (strengths, weaknesses, opportunities and threats) analysis, developing recommendations and presenting findings to the community. The community assessment program has approximately \$12,000 remaining in the budget to perform at least five new community assessments in 2003.

- 2. Innovative Manufacturing Company, LLC, Delta County** – The Innovative Manufacturing Company (IMC), based in Minnesota, is a light-assembly operation that manufactures and ships paper ink fountain products. IMC is expanding and reviewed two locations in Minnesota and one in Delta. IMC will create 5 new full-time positions and 20-25 part-time positions. Part-time positions have an average annual wage rate of \$20,750 and full-time positions will range from \$20,000 to \$40,000, which exceeds the overall average wage rate for Delta County. Delta Area Development, Inc. (DADI) provided a matching grant of \$20,000. The EDC awarded IMC a \$35,000 performance-based grant to help offset costs. IMC has located in Delta. The initial disbursement of \$17,500 has been made with the remainder to be disbursed once the company has documented that it has met all of its job commitments.
- 3. Region 10 Microloan Program, Region 10** – Region 10 League for Economic Assistance and Planning, Inc. applied to the U.S. Small Business Administration for additional Microenterprise Loan Program funds. Region 10 includes Delta, Gunnison, Montrose, Ouray, San Miguel and Hinsdale counties. The program will also provide technical assistance funds to Region 10 for business training to loan recipients. Region 10 contributed \$10,000 toward the required loan loss reserve,

and the SBA provided approximately \$300,000 for the loan program. The EDC awarded Region 10 a \$35,000 grant to be used as the required match for the SBA program. All EDC funds have been disbursed on this project. Technical assistance for businesses is being provided and review of loan requests is in process.

4. **Rocky Mountain Sugar Growers Cooperative, Statewide** – The Rocky Mountain Sugar Growers Cooperative is a Colorado agriculture corporation, which represents growers in Colorado, Montana, Wyoming and Nebraska. It was formed in order to acquire the Western Sugar Company, which operates six sugar beet processing plants located in Fort Morgan and Greeley, as well as Nebraska, Montana and Wyoming.

The EDC awarded the Rocky Mountain Sugar Growers Cooperative \$400,000 in order to maintain a sugar beet industry in the Rocky Mountain region and to retain/create 200 full-time jobs and 300 seasonal jobs in northern Colorado. In total, 200 full-time jobs will be retained or created in Colorado, at an average wage of \$40,150, which exceeds overall county averages. Eighty-four percent of the jobs impacted are in rural areas of the state. The local match from Weld, Morgan, Yuma, Philips and Larimer counties equals \$67,500. The Rocky Mountain Sugar Growers Cooperative has been retained in Colorado. EDC funds in the amount of \$400,000 have been disbursed. The Rocky Mountain Sugar Growers Cooperative has changed its name and is now known as the Western Sugar Cooperative.

5. **Silverton Incubator/Multi-Use Facility, San Juan County** -- The EDC provided a \$92,000 grant to establish the Silverton Incubator/Multi-use Facility in order to assist San Juan County to become more economically diversified. The project is a multi-phase development establishing a business incubator and business park at the old Powerhouse site. Development of the site will fill a need for rental space by providing individual spaces within the existing buildings and pad sites for new construction, especially for light-industrial and manufacturing businesses. The total match for the project is \$702,100, including \$14,000 of in-kind services from San Juan County, \$85,000 from the State Historical Fund, and \$603,100 from the Economic Development Administration. The timing of this project has been delayed due to the environmental review process required by the Economic Development Administration.

6. **Stewart Lodges, Delta County** -- Stewart Lodges, headquartered in Georgia, manufactures recreational housing (specifically cabins and lodges) and markets them nationally. Because a large percentage of Stewart customers are located in the West and due to the high cost of freight associated with sending the company's product long distances, Stewart Lodges began a search for a site in Colorado to construct a new manufacturing facility to serve the western region.

Delta Area Development, Inc. committed \$150,000 of in-kind services and other monetary value to Stewart Lodges to assist with expanding to Delta County, a rural, "economically lagging" area. The EDC approved a performance-based grant

in the amount of \$150,000, based on \$1,000 per job, totaling 150 Colorado jobs, which will be created over the next five years. The projected average annual wage rate is \$24,000. Stewart Lodges has located in Delta. Funds will be disbursed upon the company meeting certain financial performance benchmarks and providing documentation of its job creation in Delta.

7. **Wausau Homes, Incorporated, Morgan County** -- Wausau Homes, Inc. manufactures a complete product line of custom homes, with over 200 designs, a variety of building techniques and custom design capabilities. Wausau Homes operates eight facilities nationwide and is building a 96,000 square foot manufacturing plant in Wiggins, CO in an effort to serve markets in the western portion of the U.S. The company expects to hire 20 employees in the first full year of operation. Within 5 years, Wausau anticipates employing 100 full-time persons, with an average annual wage rate of \$24,960. This project is located in an enterprise zone. The Town of Wiggins provided a matching grant of \$60,905. The EDC provided Wausau Homes with a performance-based grant of \$190,000 to help offset project costs. The company plans to expand in Wiggins have been delayed due to current economic conditions. However, the company has acquired land in Wiggins for this project and is continuing to work with Wiggins to ensure that the appropriate infrastructure is in place to support this project. The EDC contract is in process.

## **Marketing projects Funded in 2001**

1. **Colorado Film Commission Marketing 2001** – The Colorado Film Commission (CFC) is located in the Office of Economic Development and International Trade. The CFC is designed to help facilitate the growth of film, video, and digital production in Colorado. It is also responsible for marketing the state as a location for filmmaking, assisting production companies in finding locations, and working with the local industry and Colorado communities to make this a viable production state.

The EDC awarded the Film Commission a \$35,000 grant to assist with a direct mail campaign, Web site redevelopment, and marketing research study. After re-launching the newly designed Web site in January 2002, more than 1,100 photographs representing over 500 locations throughout the state were added to the site's new searchable location database feature. Three postcards promoting the benefits of filming in Colorado and directing attention to the re-launched Web site were printed and sent to a targeted group including film, television, advertising, and media professionals worldwide in January, February, and March 2002. MGA Communications donated their services to create the design of the three postcards. The University of Colorado - Business Research Division (BRD) was retained to conduct the research study of the state's film, video, and digital industry with a contribution of \$11,700 in matching funds raised by the local film industry. Surveys were distributed by the BRD, and to date they continue to receive and compile data from them.

**2. Prairie Development Corporation** – The Prairie Development Corporation (PDC) collaborates with the East Central Council of Governments and other local organizations to promote economic development in Colorado’s Central Plains, targeting the marketing efforts for the four-county region of Elbert, Lincoln, Kit Carson and Cheyenne counties. PDC’s proposal included implementing a new marketing theme, tagline, logo and economic development website. The PDC raised \$80,700 in cash funds and in-kind services for the project. The EDC provided a \$30,000 matching grant to the Prairie Development Corporation to assist with their marketing and economic development efforts.

**3. Western Colorado Marketing Alliance**—The Western Colorado Marketing Alliance (WCMA) is a newly-formed 501c6 membership organization designed to pool funds and coordinate efforts for specific marketing projects of Western Slope communities. WCMA communities committed \$30,000, based on \$2,500 from each member community, as well as \$10,000 of in-kind services contributed.

The EDC awarded a matching grant of \$50,000 to the WCMA to support Colorado’s Western Slope communities in their efforts to produce marketing materials, implement strategic direct mailings, participate in relevant trade shows, and generate more prospects and leads for the communities.

**4. Agricultural International Trade Promotion Program** -- 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 2001, the EDC awarded the Agricultural International Trade Promotion Program with a \$15,000 grant to assist in their marketing efforts. In the past year, 12 companies have utilized the AITPP grant program to assist with the market development efforts. Companies include food ingredient companies, confectionery, bakery products, beverages, specialty growing seeds, jams and spreads and breed stock. The program has assisted these companies in expanding their markets in Mexico, Australia, England, Holland, Italy and Japan.

**5. Colorado Tourism Office** – Colorado tourism, one of the state’s largest industries, was significantly impacted by the events of September 11, 2001. An analysis by the Colorado Department of Revenue, sampling Front Range hotels, noted a decrease in business of over 30% in September 2001 compared to September 2000. An effective way to help stimulate tourism and assist the industry is to encourage Colorado residents and residents in neighboring states to take a Colorado vacation. The Colorado Tourism Office (CTO) sought funds from the Legislature to develop an in-state/regional marketing campaign. Based upon a recommendation by the Joint Budget Committee, the EDC provided the CTO with a \$500,000 grant for an enhanced in-state/regional campaign.

The “Rediscover Colorado” campaign, which aired across three time periods, December 2001/January, April and June 2002, included network television, cable and radio spots in Denver, Colorado Springs, Grand Junction, Durango and Albuquerque. The CTO placed a total of \$499,765 in advertising media and received approximately \$1,231,549 in negotiated savings, promotions and bonus spots for a total media impact of \$1,722,686. Additionally, the CTO received over \$111,603 in publicity equivalency during December 2001 and January 2002 in support of this program. The \$500,000 investment by the Economic Development Commission brought in a return on investment of almost 4 to 1 for every dollar spent.

### **Special Projects and Activities Funded in 2001**

- 1. Colorado Springs Technology Incubator, El Paso County --** The EDC awarded a \$156,000 grant for the Colorado Springs Technology Incubator to accelerate the launch of financially viable companies in the high-technology sectors of the Colorado Springs’ economy through customized business assistance to entrepreneurs. It is estimated that over 10 years, the incubator will graduate companies generating \$316,282,556 in sales revenue, create 1,546 new jobs, pay wages and salaries totaling \$53,557,687 and add cumulative tax revenues of \$12,714,905 to El Paso County and the City of Colorado Springs. The City of Colorado Springs provided \$157,000, and private investors donated \$75,000 cash and \$82,500 in-kind services to the project. As of late 2002, the CSTI had 6 client small businesses. With the provision of office space by the University of Colorado at Colorado Springs, the incubator project has been able to provide space and office infrastructure to 4 of its client companies, as well as professional advice and services.
- 2. Colorado Tax Commission, Statewide --** The EDC in 2001 committed \$50,000 for a matching grant to the Colorado Tax Commission to conduct a comprehensive review of Colorado state and local government revenue systems and to make recommendations to the Governor and General Assembly. Of this amount, only \$25,000 was disbursed, which helped the Tax Commission conduct a survey of Coloradans' "principles and values" as required by the Tax Commission's authorizing legislation. The Tax Commission was unable to raise sufficient additional funding, and ceased operations June 30, 2002, pursuant to its statute.
- 3. CHFA Colorado Credit Reserve –** The Colorado Credit Reserve Program (CCR), administered by the Colorado Housing and Finance Authority (CHFA), was created in 1993 in partnership with the Economic Development Commission. In 2001, the EDC awarded a \$125,000 grant to assist with continuation of this program. CCR is a pooled loan reserve program, which allows for the creation and growth of a reserve account established at participating private lenders. The program fills a financing gap for small businesses by providing a risk-sharing vehicle for working capital and lines of credit that the Small Business Administration does not address. The program encourages banks to extend credit

in amounts of up to \$150,000 to small businesses that may not qualify under normal bank standards by offering matching funds that support a cash-funded reserve. Since the program's inception, the EDC has provided \$747,000 in funding. To date, CCR has registered over \$21.6 million in loans to more than 470 businesses throughout the state. Approximately 70 percent of loan dollars have supported minority and women-owned businesses.

- 4. Colorado Technology Alliance, Statewide --** The EDC approved a matching grant of \$180,000 for the Colorado Technology Alliance to create a statewide-centralized technology network, as well as provide a single source to disseminate technology and news to Coloradans. The CTA is a statewide program, with an emphasis on rural communities that focuses on venture capital funding, job creation, and advanced education. The program's mission is to accelerate the pace at which Coloradans understand and utilize advanced technologies. The Governor's Office of Innovation & Technology has secured \$180,500 in matching funds for the project. The CTA will become self-funded through annual membership dues, and a private consulting firm will maintain the content and format of the website. This project is moving forward and meeting various funding objectives. EDC funds in the amount of \$61,582.90 have been disbursed to date. The balance will be disbursed as additional project milestones are met.