



**COLORADO ECONOMIC  
DEVELOPMENT COMMISSION**

**ACTIVITY REPORT  
2001**

*Office of Economic Development and International Trade  
February 2002*

February 19, 2002

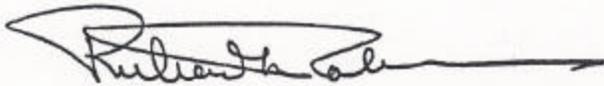
Members of the Sixty-Third General Assembly:

On behalf of the Colorado Economic Development Commission, I am pleased to present you with the commission's Activity Report for 2001. The report contains information on projects supported by the EDC over the past year, as well as the status of initiatives funded in 2000.

During 2001, three new members were appointed to the EDC, representing different regions of the state and bringing new vision to the commission. The commission's focus on rural communities was even stronger last year, with almost half of the projects receiving funds located in rural areas of Colorado. Additionally, the EDC supported the state's tourism industry, which was severely impacted by the events of September 11 and assisted a variety of projects in developing specific programs designed to market their geographic area.

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,

A handwritten signature in black ink, appearing to read "Richard L. Robinson", with a long horizontal flourish extending to the right.

Richard L. Robinson  
Chairman

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## COMMISSION MEMBERS

### CHAIRMAN

Richard L. Robinson  
Robinson Dairy  
Denver

### VICE CHAIRMAN

William Sisson  
Mesa National Bank  
Grand Junction

### MEMBERS

Jerry D. Biggs (appointed November 2001)  
BiggsKofford, LLC  
Colorado Springs

Timothy J. Dow  
The Dow Law Firm, LLC  
Fort Collins

Booker T. Graves  
Department of Local Affairs  
Denver

Douglas M. Helzer (appointed November 2001)  
Peoples-Centennial Insurance  
Pueblo

Laurie Ganong Jones  
DLJones, Inc.  
Sterling

James A. Kenyon (through July 2001)  
MAG, Inc.  
Pueblo

F. Robert Lee  
Office of Economic Development &  
International Trade  
Denver

Richard L. Monfort  
Greeley

Ken Sparks (through July 2001)  
Sparks Willson Broges Brandt & Johnson, P.C  
Colorado Springs

<b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2001</b>				
<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
CAE Electronics, Ltd.	Denver City & County	\$105,000	\$400,000/Local	Pending
MSS Group, Inc.	Pueblo County	\$125,000	\$950,500 /Local \$13,500 /Customized Job Training	Pending
Innovative Manufacturing Company, LLC	Delta County	\$35,000	\$20,000/Local	Contracted
Region 10 Microloan Program	Region 10	\$35,000	\$310,000/Local & Federal	Contracted
Rocky Mountain Sugar Growers Cooperative	Statewide	\$400,000	\$67,500 /Local to date	Pending
Silverton Incubator	San Juan County	\$92,000	\$617,100 /Local & Federal \$85,000 St. Historical Fund	Contracted
Stewart Lodges	Delta County	\$150,000	\$150,000 /Local	Pending
Wausau Homes Incorporated	Morgan County	\$190,000	\$60,905 /Local	Pending
Colorado Film Commission	Statewide	\$35,000	\$11,000 Private	Contracted
Prairie Development Corporation	Eastern Plains	\$30,000	\$80,700/Local & Private	Contracted
Western Colorado Marketing Alliance	Western Slope	\$50,000	\$40,000 /Local	Pending
Agricultural International Trade Promotion Program	Statewide	\$15,000	Private	Contracted
Colorado Tourism Office	Statewide	\$500,000		Contracted
Colorado Springs Technology Incubator	El Paso County	\$156,000	\$314,500/Local & Private	Contracted

<b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2001</b>				
<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
Colorado Tax Commission	Statewide	\$25,000 plus \$25,000 pending est. match	\$8,500/ Private \$250,000 total private match	Contracted
CHFA Colorado Credit Reserve	Statewide	\$125,000		Contracted
Colorado Technology Alliance	Statewide	\$180,000	\$180,500 /Private	Pending
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

<b>PROJECTS FUNDED BY THE ECONOMIC DEVELOPMENT COMMISSION IN 2001</b>				
<b>PROJECT</b>	<b>AREA</b>	<b>EDC \$</b>	<b>OTHER \$/ SOURCE</b>	<b>STATUS</b>
Region 10 LEAP	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
Enterprise Zone Trade Show Marketing	Multi Zone	\$30,000		Pending

**INTRODUCTION**

During 2001, the Colorado Economic Development Commission, like other government programs and private businesses, addressed a variety of unprecedented challenges. With a softening economy and the events of September 11, the EDC was called on to assist the state’s tourism industry by supporting an enhanced tourism marketing campaign. Regional marketing organizations received matching funds from the commission and are using these to support a variety of local projects and programs. The Community Assessment Program, funded by the commission in late 2000, assisted five counties and towns in 2001, including Costilla, Kiowa and Washington counties, and Olathe and Rangely. At least five new community assessments will be conducted in 2002. These assessments help communities develop strategies to address their specific economic development needs and priorities.

In order to strengthen the state’s rural and economically lagging communities, the commission continued to fund enterprise zone marketing activities and agricultural programs and awarded funding to a number of businesses locating in these areas. Additionally, several projects in urban areas received support from the EDC.

The EDC’s focus on rural communities is demonstrated by the following table, which includes awards made in 2001 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	17	49%	\$1,207,000	46%
Statewide	7	20%	\$ 935,000	36%
Urban	11	31%	\$ 474,000	18%
<b>Total for Year</b>	<b>35</b>		<b>\$2,616,000</b>	

A number of major projects, including Boeing and Wal-Mart, also received preliminary funding approval by the commission, but subsequently selected other states to locate their operations.

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 2001**

During 2001, the EDC collaborated with regional economic development organizations, local governments, the Colorado Tourism Office, the Office of Economic Development and International Trade, and the Office of Innovation and Technology to support a variety of businesses and marketing activities 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. CAE Electronics, Ltd., Denver 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 selected a location in the DIA area and proposed building a flight simulator-training center, catering to small regional airlines. CAE will 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 tax breaks and incentives. The EDC awarded a \$105,000 performance-based grant. While the site location is in an economically strong area, the company will provide economic opportunity, including competitive salaries and benefits, with the potential for further high tech investment.
- 2. MSS Group, Inc., Pueblo County** – MSS Group, Inc. has its main operation center in Castle Rock, CO 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/ annually 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 in the amount of \$13,500. The EDC awarded a performance-based grant of \$125,000.

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

- 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 \$19,000 remaining in the budget to perform at least five new community assessments in 2002.

- 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, Colorado. IMC will create 5 new full-time positions and 20-25 part-time positions, at an average annual wage rate of \$20,750 and full-time positions ranging 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.
- 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.

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 that are 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 would be retained or created in Colorado, at an average wage of \$40,150, exceeding 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 project is pending based upon adequate private funds being raised to complete the acquisition.

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.

6. **Stewart Lodges, Delta County** -- Stewart Lodges, currently located 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. Delta County is a rural, "economically lagging" area. The EDC approved a grant in the amount of \$150,000, based on \$1,000 per job, totaling 150 Colorado which will be created over the next five years. The projected average annual wage rate is \$24,000.

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.

**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 Film Commission Marketing 2001** – The Colorado Film Commission is located in the Office of Economic Development and International Trade. The CFC is designed to help facilitate the growth of film, video, and electronic arts 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, website redevelopment and marketing research study. The direct mail campaign was geared to mail the 2001 Colorado Production Resource Guide on CD Rom to targeted motion picture and commercial producers. The Film Commission re-launched [www.Coloradofilm.org](http://www.Coloradofilm.org), an online searchable locations database. The marketing research project is designed to determine the current scope of the film, commercial and electronic media industries in Colorado. The Film Commission Advisory Board has raised approximately \$11,000 in matching funds for the research project.

- 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 FY 2000-01, AITPP awarded nine grants totaling \$10,564, helping Colorado companies market their products in Denmark, Germany, Holland, Ireland, U.K., France, Sweden, Japan, Spain and Mexico. The agricultural industry sectors include growing seeds, beef, sunflower seeds, potatoes, cattle breed stock, snack foods, grains-millet, apples and pulses. The EDC awarded the Agricultural International Trade Promotion Program with a \$15,000 grant to assist in their marketing efforts.
- 5. Colorado Tourism Office** -- Colorado tourism is the one of the state's largest industries. In 2000, travelers spent approximately \$7 billion in Colorado, or \$19 million per day, and more than 200,000 Colorado workers are employed by this sector. For some regions, more than one-third of direct basic income is attributable to tourism, and in ski/resort counties, tourism accounts for over 75 percent of direct basic income.

Since September 11, 2001, Colorado's tourism industry has seen a decline. 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 travel and assist this industry is to develop a campaign encouraging Colorado residents and residents in neighboring states to take a Colorado vacation. Colorado residents spend approximately \$1.1 billion annually, visiting neighboring states. If only a small percentage of that spending could be captured in the state, it would greatly improve the state's tourism outlook in the very near-term, as well as have long-term benefits associated with return visitors.

The Colorado Tourism Office sought funds from the Legislature to help with an in-state marketing program since typical campaigns have targeted national markets. Based upon a recommendation by the Joint Budget Committee, the EDC provided the CTO with a \$500,000 grant for an enhanced in-state marketing campaign. The campaign is designed to stimulate business for Colorado's tourism industry so business failures can be avoided and jobs protected.

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

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

In 2001, the commission allocated a total of \$343,000 to enterprise zones for the continuation and expansion of their marketing activities. Of the total, \$30,000 was set aside to support continuation of a multi-zone trade show marketing program. The remaining \$313,000 was divided among the zones in matching grants based on evaluation of local proposals.

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

- 1. Publicizing enterprise zone benefits** - Zones have attempted to increase the awareness of zone benefits by local businesses through local media, industry and professional association publications, direct mail, and publishing zone newsletters and updated brochures. Most zones held seminars in communities within the zones, in conjunction with local tax professionals and state agency staff, to explain zone benefits.
- 2. Supporting existing zone businesses** - Zones conducted surveys to identify and assist existing companies with expansion potential within the zones. 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.

**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.

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

- 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.
- 2. Colorado Tax Commission, Statewide --** The last comprehensive review of Colorado's revenue systems was completed in 1959. Since then, state and local governments have undergone significant social, economic, financial and political changes. State and local government tax systems have been extensively modified through legislation. Tax issues, including the Gallagher amendment, the business personal property tax and the distribution of the overall tax burden on business, as well as the TABOR provision, have had profound impacts on Colorado businesses and citizens.

The EDC 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. The EDC dispersed the initial \$25,000 upon contract execution, with the remaining \$25,000 to be dispersed contingent upon \$250,000 in matching funds. At year-end, \$8,500 in private matching funds had been raised.

- 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. 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 \$655,000 in funding. To date, CCR has registered over \$17.1 million in loans to more than 400 businesses throughout the state. Approximately 70 percent of loan dollars have supported minority and women-owned businesses. The EDC awarded a \$125,000 grant to assist with continuation of this program.

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, while focusing 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-funding through annual membership dues, and a private consulting firm will maintain the content and format of the website.

**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 which no longer met the statutory economic distress definitions. The enterprise zone statute also directs the commission to conduct another comprehensive review of zone boundaries following publication of socio-economic data from the 2000 Census, scheduled for late 2002.
- 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 which promote job creation and retention, and employment for the homeless in enterprise zones. Pursuant to the statute, the commission must review and approve any new or changed project proposals. It approved 11 new or changed projects in 2001, for a total of 277 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).

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

- In 2001, of the 41,000 jobs added to the state's economy, 39 percent were in enterprise zone counties, and 11 percent were in rural enterprise zones. 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.
- Unemployment in zone counties averaged 3.9 percent in 2001, down from 8.6 percent in 1986. This rate was still above the state's 3.5 percent average.. In rural enterprise zones, the 2001 unemployment rate averaged 3.6 percent.
- Since 1990, rural enterprise zones in eastern and southern Colorado have started to regain population, although at slower growth rates than the state average. These areas were losing population during the 1980s.

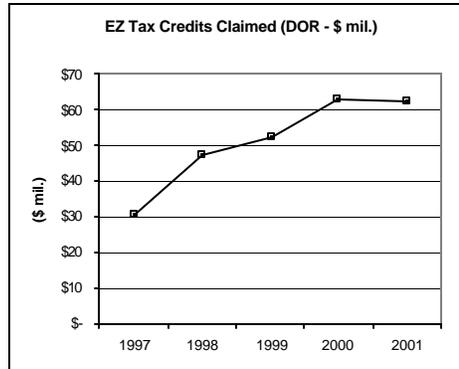
As with any public economic policy, it is not possible to measure definitively the impact of a single program such as enterprise zones as compared with other economic factors.

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

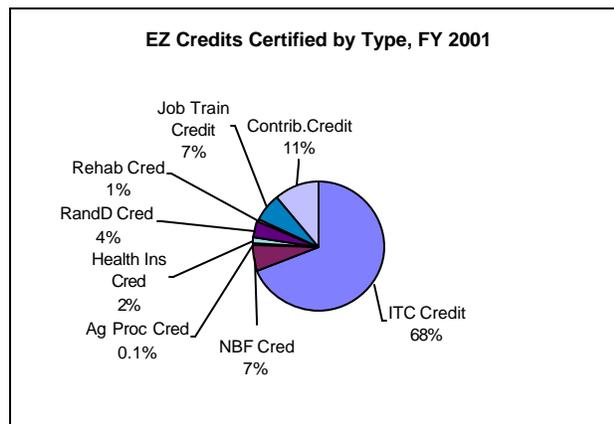
- The number of businesses claiming potential enterprise zone tax credits in FY 2001 was 5,145, a decline of 14 percent from 2000.
- Businesses claiming zone tax credits created over 14,700 new jobs in 2001, up 10 percent from 2000. They also retained 140,000 jobs.
- Businesses claiming zone tax credits invested over \$1.7 billion in new equipment used in enterprise zone businesses during FY 2001, down 7 percent from 2000.
- Over 9,300 taxpayers contributed \$23.2 million to enterprise zone economic development and homeless assistance projects in FY 2001, resulting in over \$7.6 million in potential tax credits. This was a 15 percent decrease from FY 2000 and a

34 percent decrease from the peak year of 1998, as the reductions in this credit enacted by the General Assembly in 1996 have taken effect.

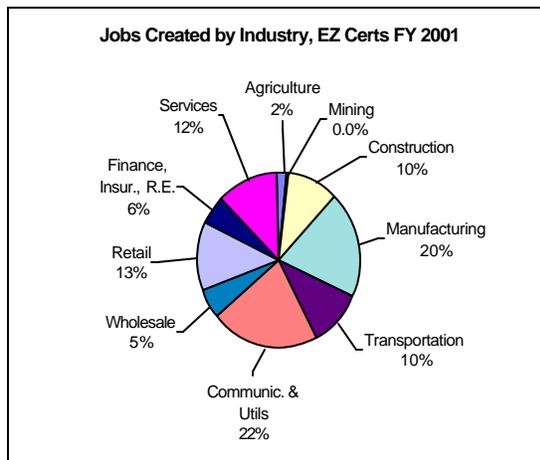
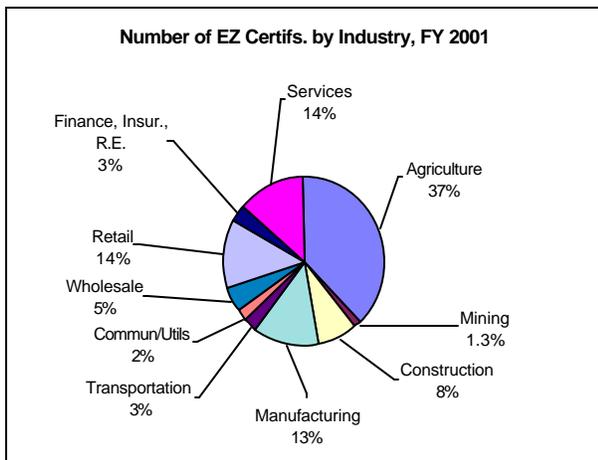
- Total EZ tax credits claimed with the Department of Revenue in FY 2001 were \$62 million, virtually the same as FY 2000. Of this total, \$44 million were claimed by corporate taxpayers, and \$18 million by non-corporate (individual contribution credits, plus sole proprietor, partnership and other non-corporate business credits).



- Approximately 70 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, 8 percent was for the three new jobs tax credits, 11 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: \$47.5 million in credits, based on \$1.726 billion in qualifying capital investment in zone businesses.
  - \$500 New Business Facility Jobs Credit: \$4.5 million, based on 10,800 qualifying new business facility jobs in 621 businesses. (Note: the 14,700 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: \$45,000.
  - \$200, two-year Health Insurance-covered New Job Credit: \$1.2 million.
  - 10 percent Job Training Program Investment Credit: \$5.0 million, based on \$50 million of investment in programs to provide job training for 22,800 zone employees.
  - 3 percent Credit for Increased Research & Development Expenditures: \$2.6 million, claimed by 44 taxpayers certifying \$92 million in qualifying R&D expenditures.
  - 25 percent Credit for Qualified Expenses of Rehabilitating Older Vacant Buildings: \$390,000, based on \$2.2 million in qualifying expenses for rehabilitating 23 buildings.
  - 25 percent Credit for Contributions to Designated Enterprise Zone Projects: \$7.67 million, based on over 9,300 contributions totaling \$23.2 million.
- By industry, the largest number of EZ certifications were filed by farms and ranches. However, the largest groups in terms of job creation and dollars of credits certified were manufacturing and communications/utilities.



- 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 \$37 million in FY 2001.
- New investment by enterprise zone businesses added \$1.7 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.

## EZ Tax Credits Certified by Zone, Fiscal Year 2001

Zone	Total # Certs	\$ ITC	\$ NBF	\$ Ag Proc	\$ Hlth Ins	\$Train	\$ R and D	\$ Rehab	Total Bus	\$ Contribution Credit	Total Credits
<b>RURAL</b>											
East Central	430	\$1,036,317	\$5,040	\$0	\$1,600	\$4,125			\$1,047,082	\$18,875	\$1,065,957
Mesa County	72	\$813,857	\$41,435	\$3,000	\$15,400	\$28,795	\$0		\$902,487	\$107,486	\$1,009,973
Northeast	918	\$2,878,511	\$165,166	\$13,000	\$45,550	\$62,669	\$4,260	\$15,581	\$3,184,737	\$197,905	\$3,382,642
Northwest	229	\$2,746,741	\$54,212		\$7,000	\$14,046	\$1,214		\$2,823,213	\$265,182	\$3,088,395
Region 10	327	\$3,602,218	\$71,040		\$5,300	\$3,868	\$875	\$88,338	\$3,771,639	\$73,974	\$3,845,613
San Luis Valley	379	\$1,188,309	\$50,167	\$4,500	\$4,600	\$2,432			\$1,250,008	\$453,743	\$1,703,751
South Central	113	\$2,212,049	\$11,500		\$5,650	\$11,060			\$2,240,259	\$70,236	\$2,310,494
Southeast	313	\$748,877							\$748,877	\$8,188	\$757,065
Southwest	304	\$821,384	\$108,972	\$0	\$10,285	\$42,282	\$0	\$0	\$982,923	\$418,930	\$1,401,853
Upper Ark	176	\$476,824	\$124,423		\$1,600	\$8,966			\$611,814	\$86,363	\$698,177
<b>Subtotal</b>	<b>3,261</b>	<b>\$16,525,086</b>	<b>\$631,955</b>	<b>\$20,500</b>	<b>\$96,985</b>	<b>\$178,243</b>	<b>\$6,349</b>	<b>\$103,919</b>	<b>\$17,563,038</b>	<b>\$1,700,882</b>	<b>\$19,263,919</b>
% of total:	63.4	34.8%	0.5%	45.1%	8.0%	3.6%	0.2%	26.5%	28.7	22.2%	22.2%
<b>URBAN</b>											
Adams County	239	\$3,586,801	\$475,557		\$220,769	\$460,219	\$14,126	\$50,772	\$4,808,244	\$175,757	\$4,984,001
Arapahoe County	132	\$1,173,392	\$547,098		\$275,400	\$218,407	\$3,593		\$2,217,890	\$14,250	\$2,232,140
Denver	740	\$8,856,210	\$987,093	\$15,958	\$354,290	\$3,442,111	\$1,383,171	\$196,256	\$15,235,089	\$3,177,736	\$18,412,825
El Paso County	373	\$7,695,397	\$895,505	\$1,000	\$180,524	\$554,558	\$1,114,550	\$16,797	\$10,458,331	\$1,011,820	\$11,470,151
Greeley/Weld County	92	\$4,056,758	\$703,870		\$3,200	\$33,122	\$10,065	\$9,761	\$4,816,776	\$340,597	\$5,157,372
Jefferson County	113	\$1,840,857	\$143,153		\$37,700	\$37,228	\$0		\$2,058,937	\$496,076	\$2,555,014
Larimer County	92	\$1,670,815	\$60,912	\$8,007	\$24,449	\$5,678	\$811	\$15,066	\$1,785,737	\$370,819	\$2,156,556
Pueblo	103	\$2,145,612	\$66,983		\$24,600	\$42,938	\$35,223		\$2,315,356	\$388,069	\$2,703,425
<b>Subtotal</b>	<b>1,884</b>	<b>\$31,025,841</b>	<b>\$3,880,170</b>	<b>\$24,965</b>	<b>\$1,120,931</b>	<b>\$4,794,261</b>	<b>\$2,561,539</b>	<b>\$288,652</b>	<b>\$43,696,360</b>	<b>\$5,975,124</b>	<b>\$49,671,485</b>
% of total:	36.6	65.2%	0.6%	54.9%	92.0%	96.4%	99.8%	73.5%	71.3	77.8%	77.8%
<b>Year Total</b>	<b>5,145</b>	<b>\$47,550,927</b>	<b>\$4,512,125</b>	<b>\$45,465</b>	<b>\$1,217,916</b>	<b>\$4,972,505</b>	<b>\$2,567,888</b>	<b>\$392,571</b>	<b>\$61,259,398</b>	<b>\$7,676,006</b>	<b>\$68,935,404</b>
<b>Credits by Type as percent of:</b>											
% of total business credit		77.6%	7.4%	0.1%	2.0%	8.1%	4.2%	0.6%	100.0%		
% of total credit		69.0%	6.5%	0.1%	1.8%	7.2%	3.7%	0.6%	88.9%	11.1%	100.0%

#### **IV. Projects that were Withdrawn in 2001**

Over the course of the year, requests for projects may receive approval from the Economic Development Commission. However, some projects do not come to fruition for various reasons, such as the company decides to locate or expand in a different state, or the economy changes dramatically, thereby hindering company growth. These projects should be taken into consideration when reviewing the overall picture of economic development in the State of Colorado and the charge of the Economic Development Commission.

- 1. Eagle Span Steel Structures Inc., Morgan County** -- Eagle Span Steel Structures, Inc. manufactures steel beams and distributes them as frame components in a line of pre-engineered steel buildings and pedestrian bridges. Eagle Span wanted to expand its production capacity by opening a facility in Brush. The company planned to create 14 new full-time positions, and within five years, projected that a total of 38 new full-time positions would be created in Brush, with an average annual wage rate of \$26,031. The total local match for this project was \$22,929. The EDC provided a performance-based grant of \$76,000 to assist with the project. Subsequent to EDC approval, Eagle Span withdrew the request.
  
- 2. The Boeing Company, Denver Metro Area** -- The Boeing Company is the largest aerospace company in the world and is the world's largest manufacturer of commercial jetliners and military aircraft, as well as the largest contractor for NASA. Boeing considered three sites for the relocation of its corporate headquarters. The locations included Colorado, Chicago, IL and Dallas, TX. Boeing's proposal incorporated obtaining 250,000 square foot of office space for the 500 positions that would be relocated from existing headquarters in Seattle, WA, with an average annual salary of \$100,000. The company anticipated hiring approximately 125 new employees. While the EDC did not formally approve a specific amount, the Commission agreed to give favorable consideration of up to a \$1,000,000 performance-based grant if Boeing chose to relocate their corporate headquarters in Colorado. Boeing subsequently notified the state that they decided to move their corporate headquarters to Chicago, IL.
  
- 3. Wal-Mart, Pueblo County** -- Wal-Mart is a major national corporation that wanted to establish a regional distribution center and considered locating their facility in two locations: North Platte, Nebraska or Pueblo, Colorado. Wal-Mart proposed building a one million square foot distribution center on approximately 125 acres of land in the Pueblo West Metropolitan District. They expected to hire 350 mostly full-time employees by March 2003 and employ more than 600 full-time employees at the distribution facility within one year of opening the center, offering competitive wage rates. The Pueblo Economic Development Corporation structured local incentives worth approximately \$6,302,000 to assist with construction and other costs associated with the project. While the EDC did not formally approve a specific amount, the Commission agreed to give favorable consideration of up to a \$500,000 performance-based grant. Wal-Mart subsequently announced that they would locate their facility in North Platte, NE due to a larger incentive package offered by Nebraska.

- 4. Honeywell, Pueblo County --** Honeywell bid on a contract with the United States Air Force to provide engineering, logistics, overhaul and system modifications to 157 Air Force facilities worldwide. Honeywell proposed leasing a 25,728 square foot building and hiring approximately 85 employees at the facility, with an average wage rate of \$21,000 to \$73,000 per year. The Pueblo Economic Development Corporation (PEDCO) structured a local incentive package worth approximately \$510,000 to assist with construction and other costs associated with the project. While the EDC did not formally approve a specific amount, the Commission agreed to give favorable consideration of up to a \$150,000 performance-based grant. However, Honeywell did not receive the federal contract required for the project.

## Status of Projects Funded by the EDC in 2000

### Business Expansion/Location Projects Funded in 2000

1. **Time Warner Telecom, Inc., Douglas County** – Time Warner Telecom, Inc. is a leading optical network facilities-based provider of integrated communication services headquartered in Littleton, Colorado. Operating and expanding its national fiber optic infrastructure into major U.S. markets, the company provides the "last mile" of high-speed broadband access to business customers.

Douglas County is attempting to generate a stronger economic base as compared to its current retail and service nature. The EDC provided a \$300,000 performance-based grant that will enable the state to partner with Douglas County to offset costs associated with the company's expansion. In consideration of the EDC award, the company is required to create 800 new jobs by December 31, 2003 with a minimum average annual wage of \$63,040 (excluding overtime and benefits) plus the company's standard benefit package. The EDC grant is contingent upon local incentives of up to \$469,993.

Time Warner, Telecom, Inc. is currently reviewing its expansion in light of current economic conditions. The company is expected to submit an updated plan to the EDC by the end of 2002. No funds have been disbursed on this contract.

2. **American Scandia Life Assurance Corp., Jefferson County** - American Scandia Life Assurance Corporation (ASLAC) is a stock life insurance corporation headquartered in Shelton, CT. The company has expanded its operations to Colorado, resulting in U.S. operations for an international financial services organization locating in the Denver metro area.

The financial package consisted of \$94,500 of EDC funds and local incentives estimated at \$274,910. In consideration of the EDC award, ASLAC committed to create 315 new full-time jobs in Jefferson County by December 2002 with an average wage of \$49,500 (average base of \$38,000 plus bonuses/commissions but excluding benefits) plus the company's standard benefit package. It is anticipated that the EDC will disburse \$47,250 in early 2002 to ASLAC and the remainder of EDC funds will be disbursed upon submittal of documentation that ASLAC has met its job commitments.

### Projects in Rural Areas Funded in 2000

1. **Flextronics International, Weld County** – Flextronics International is a contract electronics manufacturer providing turn-key services to original equipment manufacturers, including procurement of materials, assembly, testing and distribution of products. Flextronics International also provides engineering and strategic planning services in addition to manufacturing. The company has been in the Longmont area for 19 years under several different company names. However,

Flextronics International merged with Dovatron in April 2000 and Flextronics International emerged as the successor company. Flextronics International's U.S. headquarters are in San Jose, CA. The company was growing rapidly and anticipated expanding its Colorado facility.

The EDC provided a \$300,000 performance-based grant to enable the state to partner with Weld County to offset costs associated with the company's expansion. The state also committed \$320,000 in customized job training funds. The EDC award grant was contingent upon local incentives totaling \$315,397. The company's capital investment was estimated to exceed \$45 million dollars. In consideration of the EDC award, the company committed to creating 800 jobs by December 31, 2002 with a minimum average annual wage of \$33,250 (excluding overtime and benefits) plus the company's standard benefit package.

Subsequent to the EDC's approval, the company determined that it would not be able to expand as anticipated due to the slow down in the telecommunications industry, and therefore, a request was made to withdraw the EDC's commitment. The EDC's commitment has been withdrawn.

2. **Dura-Line Corporation, Weld County** – Dura-Line Corporation is a wholly owned subsidiary of Emerson Electric Co. The company manufactures high-density polyethylene pipe, duct and conduit products used primarily by the telecommunications and cable industry. Dura-Line Corporation, based in Knoxville, TN, was planning an expansion to Colorado and would have located within a state-designated enterprise zone.

The EDC provided a \$150,000 performance-based grant to enable the state to partner with Weld County to offset costs associated with the company's expansion. The EDC grant was contingent upon the City of Greeley partially waiving its development fee/tax in the amount of \$79,608 and other local incentives estimated at \$158,745. The company's capital investment was estimated to exceed \$7 million dollars.

With Dura-Line Corporation's expansion in Weld County, 75 jobs would have been created within a two-year period with a minimum average annual wage of \$23,944 (excluding overtime and benefits) plus the company's standard benefit package.

In March 2001, Dura-Line Corporation determined that it would not be able to expand as anticipated due to the slowdown in the U.S. economy, and therefore, a request was made to withdraw the EDC's commitment. The EDC's commitment has been withdrawn.

3. **Swiss-O-Matic, Inc., Montrose County** – Swiss-O-Matic, Inc., a privately owned company, manufactures precision machining parts and components for industries such as microwave communication, fiber optic, computer, medical and hobby industries. The company, located in NJ, relocated to Montrose, CO.

The EDC provided a \$34,000 performance-based grant to enable the state to partner with the Montrose Economic Development Council (MEDC) to assist the company in covering its relocation expenses. The EDC grant was contingent upon MEDC providing a \$34,000 grant to the company.

With Swiss-O-Matic, Inc.'s relocation to and expansion in Montrose, CO, 17 jobs (excluding principals) will be created by 2005, with a minimum average annual wage of \$22,880 (excluding benefits) plus the company's standard benefit package. The initial disbursement of \$17,000 has been made with the remainder to be disbursed once the company has documented that it has met all of its job commitments.

4. **Fort Lyon VA Medical Facility Transfer, Bent County** – The preliminary site and structural evaluation, pertaining to the conversion of Ft. Lyons from a Veteran Administration's facility to a correction facility, has been completed. The evaluation indicated that various areas may require further evaluation and/or changes, including ingress/egress to the facility, enhanced security measures and further review of certain environmental aspects. The federal, state and local entities have generally reached agreement in terms of the transfer of the facility. The evaluation was to be funded with \$30,000 from the EDC, \$20,000 in local contributions and possibly, \$30,000 from the U.S. Department of Commerce's Economic Development Administration. The final report will be submitted in February 2002. Upon a satisfactory review of the final report, EDC funds will be disbursed.
5. **Agricultural Feasibility Studies, Statewide** -- The following agricultural feasibility studies were funded in 2000:
  - A. **Alternative Vegetable Processing -- Larimer County.** The Larimer County Cooperative Extension Service, Mile High Growers Cooperative, and northern Colorado vegetable growers investigated the market for various alternative crops, as well as the feasibility of freezing or using other methods to process these products in order to enhance the ability of small farms to sustain themselves in this rapidly urbanizing area of the state. The study found that there was a potential market advantage for locally grown fresh vegetables, but that it was not feasible to operate a processing facility profitably. The EDC provided \$15,000 in funding, which was matched by \$10,700 in local funds and \$40,000 in USDA funding.
  - B. **Wool Manufacturing -- Otero County.** This project investigated the feasibility of processing Colorado-grown wool in the Arkansas Valley and manufacturing mattress pads in order to provide alternative markets for area woolgrowers. It concluded that there was a potential market for mattress pads and other finished products, but that a local plant to process raw wool was not financially feasible. The EDC provided \$11,000, which was matched by \$13,000 from local sources.
  - C. **Local Meat Processing – Delta County.** The Western Colorado Meat Initiative studied the feasibility of providing a higher value market to Western Slope livestock producers through local processing and marketing of "natural" and

"locally grown" meat products. The study found that niche markets do exist for western Colorado meats, but that greater consumer awareness, brand recognition, and improved distribution are needed to realize this potential. The EDC provided \$8,000. Other financial support in the amount of \$8,000 was provided by local sources.

**D. Goat Dairy Processing -- Boulder County.** This project is evaluating the feasibility of a facility to make and market cheese, yogurt, and milk products from sheep and goat milk, providing a market for small sheep and goat herds in the state. The EDC provided \$8,000 for the project, which is being matched by \$13,000 from local sources. The project is working with marketing and technical consultants from CSU and Utah State University, and is expected to be completed in 2002.

### **Marketing projects Funded in 2000**

1. ***Inc. Magazine Advertising, Statewide*** – Following the July 2000 Inc. 500 annual conference held in Vail, the commission provided \$250,000 for the production and placement of six full-page ads in *Inc. Magazine*. The total retail value of the ads, which ran for one year, was \$432,000. The publication has an audience of nearly 2 million readers, comprised primarily of owners and executives of growing companies and purchase decision makers. In addition to the retail value the state received for placing the ads, *Inc.* allowed the state to use its proprietary Inc. 500 database for direct mailing opportunities. The Office of Economic Development and International Trade sent *Colorado Edge: Competing at a Higher Level*, to this list. The publication, produced in partnership with *ColoradoBiz Magazine* every two years, is distributed locally, nationally and internationally. It features Colorado's diverse economic sectors, from agriculture to manufacturing to technology, and provides a snapshot of each region in the state.
2. **Office of Economic Development Marketing, Montezuma County** - In order to counteract the negative publicity resulting from the fires at Mesa Verde National Monument, the EDC provided \$25,000 to OED for the development of a regional public relations and advertising campaign. EDC funds were part of a statewide package committed by Governor Owens that also included \$5,000 from the Colorado Tourism Office and \$70,000 from the Department of Local Affairs. Funds were provided to Montezuma County, which coordinated the campaign, for the benefit of communities throughout southwest Colorado. Local funding for the project totaled \$35,000. The public relations strategy was designed to build awareness of Mesa Verde National Park's reopening and recovery from the fires through an intensive thirty-day local and regional media outreach program. This included in-state and regional news releases, regional newswashes and targeted media follow-up. A total of 116 articles were generated in national and in-state publications, translating into \$740,000 in PR equivalency (the public relations value of editorial articles in relation to the same size paid advertisements); \$32,000 PR equivalency in web site coverage (on CNN.com and MSNBC.com) and \$6,000 PR equivalency in television coverage

(in Denver, Colorado Springs, Albuquerque, New Mexico, New Haven Connecticut and Phoenix, Arizona).

2. **Colorado Proud Agricultural Marketing, Statewide** – In 1998, the Colorado Department of Agriculture developed a new logo, “Colorado Proud,” for identification and promotion of Colorado food and agricultural products. The EDC provided a total of \$27,500 over two years to assist in the development and marketing of the program. In 2001, in order to expand “Colorado Proud,” the department sponsored billboard, bus, and radio advertising, garnering over 30,000,000 impressions, a display contest for retailers, additional "Colorado Proud" stickers and other promotional items, and a redesigned “Colorado Proud” information sheet in order to increase public awareness of the campaign. The EDC provided \$10,000 toward these efforts. Additional private money was raised to cover the total budget.

### **Special Projects and Activities Funded in 2000**

- **Fort Collins Virtual Incubator, Fort Collins** – The EDC provided three years of funding totaling \$105,000 to help establish the Fort Collins Virtual Incubator. The EDC awarded the third and final grant in the amount of \$25,000 in 2000 to help expand incubator activities. Local and private sources contributed an additional \$60,000 for phase three of the project. The incubator was designed to provide a positive climate for creating and expanding new and existing high-tech manufacturing businesses in northern Colorado and for the transfer of innovative technologies from the private sector and Colorado State University to the marketplace. The incubator has helped 8 small technology-oriented businesses start since its inception, as well as providing assistance to another 148 businesses in the community. Three of these client companies attracted \$7 million in private financing while in the incubator. The companies added 46 new full-time employees plus 2 new part-time jobs.