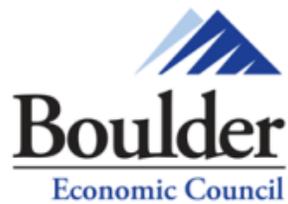


2009 Business Incentive Program Flexible Rebate Return Analysis

Report to the City of Boulder



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Background and Summary of the Analysis:

This report provides an analysis of the financial returns and effectiveness of the city's 2009 Business Incentive Rebate Program by the Boulder Economic Council (BEC). This analysis was performed under the auspices of a 2010 contract for services between the city and the BEC.

Program History

Since 2002, the city of Boulder has proactively worked on establishing an economic vitality program which provides consistent outreach, assistance to and recognition of business in the community. As part of an overall economic vitality plan, a pilot Business Incentive Program was developed and implemented in 2007, including a pilot Flexible Rebate Program with funding of \$500,000 from the city targeted at retaining and expanding primary employers in Boulder.

Primary employers are those that "export" the majority of their goods and services produced outside of the local community. Consequently, primary employers infuse external funds into the local economy producing a substantial impact on local output, employment and wages. From the time of implementation of the pilot through 2008, the city defined a primary employer as one that generates at least 75 % of revenues from outside Boulder County. This is a higher threshold than many communities use and the definition was lowered to "exceeds 50%" in 2009.

The 2007 Flexible Rebate Program pilot was judged to be a success and has been continued by the city each year since then as a formal program managed by the Economic Sustainability department. Some program criteria have changed to ensure that grant recipients support the city's goals for social and environmental sustainability. The maximum rebates granted, as well as the funding provided in each year's city budget, has also changed to address funding constraints in the city's budget. The focus of this report is the 2009 program, however, a timeline of the development and funding of the Incentive Rebate Program is provided in Appendix B.

In 2008, the city began to engage the Boulder Economic Council to evaluate the effectiveness of the Pilot Flexible Rebate Program. The BEC did an analysis of the program for both 2007 and 2008 by analyzing the results of the Program from two perspectives; retaining or attracting businesses, and providing a return on the city's investment. The 2009 analysis now allows us to see the results for three consecutive years. The table below provides a snapshot of the funding for the incentive program for each year, the amount of rebates awarded, the funds actually provided to the recipients thus far and the total return estimated that the city has received or will receive on a net present value basis.

2007 – 2009 Program Funding and Results

| Year | Number of Companies | Program Funding | Total Rebates Approved | Total Rebates Issued as of 10/2010 | Total Net Present Value Return to City |
|------|---------------------|-----------------|------------------------|------------------------------------|--|
| 2007 | 7 | \$500,000 | \$500,000 | \$457,295 | \$6,096,276 |
| 2008 | 8 | \$350,000 | \$322,135 | \$145,300 | \$2,498,800 |
| 2009 | 7 | \$350,000 | \$209,979 | \$96,454 | \$5,582,354 |

As can be seen, fewer total rebates were granted in 2008 and 2009 than in 2007. Key contributors to this are:

- A lower budget for the EV Program overall resulting in
- A reduction of the award limit to \$50,000 per applicant beginning in 2008 versus \$100,000 in 2007 coupled with
- The effect of the recession in 2009 on business expansion activity

2007 – 2009 Program Changes

From 2007 to 2009, changes were made to the sustainability requirements of the program. The changes were made to ensure that businesses which receive an incentive rebate reflect the values and goals of Boulder by contributing to the social sustainability of the community and working to reduce their impact on the environment. Recognizing that each business is different, options that businesses can choose from to demonstrate their commitment in these areas were expanded. Some of the changes made to the program in 2009 included:

- Expanded options for energy and waste reduction, getting energy certifications, encouraging alternative transportation, general sustainable business practices and buying locally
- A Primary Employer was redefined as one consisting of any number of employees
- The amount of revenue required to be derived from the sale of goods and/or services outside of Boulder county was lowered from 75% to 50% to be consistent with the common definition of a primary employer within the state
- The application form was adjusted so that it could be filled in on line and arrangement of the information and requirements on the city's website were improved to facilitate ease of use based upon feedback from users.

Analysis Objective and Methodology

In 2009, a total of seven companies were awarded flexible rebate incentives. They represent industries from specialty teas to robotics used in hazardous military operations. The objective of this analysis is to review the effectiveness of the program as it relates to:

- The financial return to the city
- Expansion, retention and attraction of business to the city, and,
- To also evaluate progress of the program from year to year.

In order to provide as accurate an analysis as possible, the BEC contacted each company with a summary of the information provided to the city during their application process including number of employees, number of resident employees, average salaries, expenditures in the city, etc. The companies were asked to update their information where any changes might have occurred or where items were left out.

That data was utilized to build a financial model for each company calculating the return the city derives from having the business operate in Boulder and implement its expansion or location upgrades. The model utilizes job multipliers created for 2008 by the IMPLAN Group, Inc., a well known consulting group in economic development, for the city of Boulder. Utilizing the job multiplier specific to the industry of each recipient, we can more reliably demonstrate the impact each company has on inducing additional job creation in the local area.

Multiplier factors are developed by economists by industry. For instance, the multiplier factor for aerospace is higher than one for professional services. This is based upon data which shows differences in supplier/services utilization and other factors by industry. For example, if a company is in Food Product (NAICS 311), the job multiplier is 2.464 (1.00 direct job, 1.464 indirect induced jobs). If a company in this category has 20 direct employees, research shows that those jobs will induce 29.28 (1.464 * 20) indirect jobs (consultants, suppliers, retail, etc.) in the community. To reflect a very conservative estimate of the benefits Boulder derives from these companies, this analysis applied the IMPLAN job multiplier only to the number of employees who are also Boulder residents, although the standard would be to apply them to a company's entire employee base. This produces a very conservative estimate of the benefits.

We also estimated the benefit (sales tax) generated by expenditures of employees who live in Boulder. Those consumer expenditures were derived from the Bureau of Labor Statistics, 2008 Consumer Expenditures Survey for the US population. We selected expenditures that would be subject to city sales tax and most likely to occur locally. The data is based upon income levels before tax, so a person earning over \$70,000 a year is shown to spend more than someone earning between \$20,000 and \$29,900 per year for instance. Non-resident employees were assumed to spend an average of \$25/week, except for IBM due to their distance from city

amenities. For IBM we estimated only 25% of non-resident employees spend an average of \$25/week in Boulder.

The model discounts the future cash flow into current dollars. The city Finance Department has identified the historical cost of capital for the city to be 5% and, therefore, the appropriate rate to use for discounting the cash flows. We have utilized that rate as well. The analysis covers 2009-2011, the three-year period of the agreement each recipient has with the city. The discounted cash flows provide the current value of future income and expenses. A listing of the assumptions used in the analysis can be found in Appendix A.

The benefits shown by the analysis are derived **solely from city taxes and fees** paid directly by:

- The companies when spending on construction projects, capital goods (furniture and equipment) and general local purchases,
- The companies on any local sales of products and services subject to local tax,
- Visitors to the company spending in Boulder,
- Their direct employees when purchasing in Boulder, and,
- The indirect employees, those jobs induced at other companies by the company being here, when purchasing in Boulder

The costs reflect the payout of the rebate incentive to the company at the time it is anticipated the company will provide proof of taxes/fees paid and will actually receive the reimbursement.

Executive Summary of the Results

The city of Boulder awarded \$209,979 in tax/fee rebates to seven primary employers in 2009. These funds are reimbursed only as the company submits receipts to the city showing that taxes and fees have been paid to the city which are eligible for the rebate. The companies were all at “transition points” in their lifecycle.

- Four of the companies selected Boulder for expansion instead of moving outside of the city altogether or placing their expansion outside of the city
- Two moved within Boulder to a location that could accommodate their growth (including one of the four above who actively considered a location outside of Boulder)
- Two expanded their space and/or equipment

Financial Return

At the time each company made application to the city for a rebate, the city Finance Department did an analysis to ensure that the sales tax on business sales in Boulder, any taxes on business expenditures in Boulder and building permit fees combined would cover the cost of the incentive. They also looked at the spending generated by local employees and used a flat jobs multiplier of 1.5.

The Boulder Economic Council has built upon that analysis and taken into further consideration the broader economic impacts that a company has on the community. Key refinements to the analysis include:

- Use of a 2008 IMPLAN job multiplier specific to the industry code (NAICS) that each company falls within, for the city of Boulder
- Use of 2008 Bureau of Labor Statistics spending data based upon the average wages paid by the company, or median wages if available
- An assumption of average weekly expenditures for non-resident employees of \$25/week, except for IBM due to the distance from city amenities
- Assignment of value for visitor overnight stays generated based upon Convention and Visitor’s Bureau data from 2009

Although it is standard to apply the jobs multiplier to the company’s entire employee base at a location, we assigned that multiplier only to employees who also live in Boulder to provide a conservative estimate of the benefits.

Below is a summary of the financial analysis:

| @5% Cost of Capital | Summary of Financial Return - 2009 | | | | | |
|---------------------------|---|---------------------------|---------------------------|---------------------------|------------------------------|-----------------------|
| <u>Company</u> | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| Celestial Seasonings | \$56,441 | (\$51,194) | \$973,871 | \$922,677 | \$19.02 | \$18.02 |
| eTown | \$50,000 | (\$47,619) | \$205,253 | \$157,634 | \$4.31 | \$3.31 |
| IBM | \$35,000 | (\$31,746) | \$4,293,702 | \$4,261,956 | \$135.25 | \$134.25 |
| Sea to Summit | \$10,820 | (\$10,305) | \$67,164 | \$56,859 | \$6.52 | \$5.52 |
| Stratom, Inc. | \$12,525 | (\$11,361) | \$22,361 | \$11,000 | \$1.97 | \$0.97 |
| Tundra Specialties | \$34,963 | (\$31,712) | \$181,789 | \$150,077 | \$5.73 | \$4.73 |
| Visionlink | \$10,230 | (\$9,279) | \$31,430 | \$22,151 | \$3.39 | \$2.39 |
| 2009 Total/Average | <u>\$209,979</u> | <u>(\$193,216)</u> | <u>\$5,775,570</u> | <u>\$5,582,354</u> | <u>\$29.89</u> | <u>\$28.89</u> |

* This number represents the net of the current value of the income to the city over the three years less the current value of the expenditures (rebates paid).

Based upon these conservative assumptions, on a net-present-value basis, the City will recoup a net \$5.6 million over the three-year period. Three years is the period the companies agree to remain in Boulder in exchange for the rebate. *An alternative view of the return is that for every one dollar invested in rebate incentives, the city will recoup a net \$28.89 on a net-present-value basis.*

The 2009 return of \$28.89 for every \$1.00 invested is up from a return of \$8.78 in 2008 and from a return of \$14.41 in 2007 due to two key factors:

- Since 2007 the total amount of incentive rebates awarded has steadily decreased from \$500,000 to \$209,979, and the individual company awards have decreased, lowering the investment against which we are evaluating the returns, and,
- In both 2007 and 2009, some large companies received rebate incentives which improved the overall returns due to the taxes generated from a larger base of employees and company expenditures

The 2009 recipients included some very small employers mixed with enough larger companies to pull the return up. This mixing of types and sizes of businesses that receive the rebate not only helps the overall financial return to the city, but also meets the city's goals of helping smaller companies grow while having larger companies remain and expand in Boulder.

Incremental Financial Return

Once again, overall, the businesses told us that the program encourages them to expand here and helps renew their conviction to stay in Boulder. However, if we were to single out only the return on those companies who were awarded an incentive which they tell us had a bearing on their decision to remain in Boulder, or locate their expansion here, this could be called the clearly identifiable “incremental” return on the program.

In 2009 four companies fall into that category. Celestial Seasonings, who actively considered a site in Longmont for their expansion; eTown, who had been actively courted by Ft. Collins to move the enterprise there; IBM for the location of a new customer service center at the Boulder campus versus other out-of-state, IBM campuses; and Tundra Specialties, which had considered locations outside the city when it was time to expand and they could no longer fit into their facility. The return on those incentives is shown below, except for Celestial Seasonings, who, for proprietary reasons chose not to break out the data for their expansion. We also show the return on all of the incentives granted in 2009 if only these incremental returns are attributed to that total.

| @5% Cost of Capital | Incremental Financial Return - 2009 | | | | | |
|--|--|-----------------------------|-----------------------------|--------------------------|-------------------------------------|---------------------------|
| Company | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| eTown | \$50,000 | (\$47,619) | \$205,253 | \$157,634 | \$4.31 | \$3.31 |
| IBM - New Division | \$35,000 | (\$31,746) | \$212,854 | \$181,108 | \$6.70 | \$5.70 |
| Tundra Specialties | \$34,963 | (\$31,712) | \$181,789 | \$150,077 | \$5.73 | \$4.73 |
| Incremental Return on Incremental Projects | \$119,963 | (\$111,077) | \$599,896 | \$488,819 | \$5.40 | \$4.40 |
| Incremental Return on Program Total/Average | \$209,979 | (\$193,216) | \$599,896 | \$406,680 | \$3.10 | \$2.10 |

* This number represents the net of the current value of the income to the city over the three years less the current value of the expenditures (rebates paid).

It can be seen that the return on the “incremental” companies’ rebates is \$4.40 on every \$1.00 invested. If you look at just the incremental return on the full amount of program rebates, the return is still a positive \$2.10. This is despite extremely conservative assumptions related to the IBM project.

The incremental return is calculated on the total program expenditure for the benefit of examining it from the viewpoint that all of the other rebate returns might have been gained without the rebate being offered. The feedback received from businesses tells us that the

program is effectively building goodwill within our business community toward the city. With other outreach efforts, it is helping dispel the belief that the city is not business friendly.

As long as a positive return can be made on the total cost of the program with just the incremental business projects' results, city management can feel satisfied that the program is delivering the intended results of business retention and business attraction with a positive financial return while also improving the image of the city within the business community.

Social and Environmental Sustainability

The city maintained its sustainability guidelines for the program in 2009 emphasizing activities related to reducing the environmental impact of the company, contributions to the social well being of the community and benefits for employees.

All of the 2009 recipients have some level of philanthropic involvement with the community. These range from paid time for employees to donate work to non-profits to direct donations. Some highlights include:

- IBM continues to make significant contributions into the community's nonprofit sector with overall company and employee donations in 2009 exceeding \$1.2 million
- Celestial Seasonings supports a wide range of nonprofits locally and provides thousands of stuffed Sleepy Time Bears to the Best Buddy Program helping traumatized children
- eTown is a nonprofit itself, but also provides assistance to others through free tickets and other support
- Sea to Summit's employees participate in trail-building and clean-up projects while actively supporting EFAA and the Boulder Humane Society
- Stratom actively works to promote CO-LABS and its work in the state and community
- Tundra Specialties funds and manages its own foundation supporting local nonprofits with 1% of its net profits and hosts food drives and auctions to generate funds
- VisionLink is integrally involved with nonprofits globally, but also supports the Boulder Cares Program and the Boulder Homeless Shelter

All of the participants are actively engaged in actions or practices to mitigate their and others' impact on the environment. A few highlights of these actions include:

- Many of the recipients encourage biking, and alternative transportation. Some provide shower facilities and many have had an energy audit of their business facilities
- All have recycling and most have composting programs

- Celestial recycles over 600,000 pounds of manufacturing materials per year and saves 3.5 million pounds of waste from landfills annually by limiting the use of strings or individual wrappers for its teabags
- eTown is working to renovate their new space and the design will allow them to generate 80+% of their power needs on site when complete
- Sea to Summit has structured a direct arrangement with two other Boulder companies to reuse their boxes to ship Sea to Summit products – avoiding the recycled cardboard process altogether
- Tundra Specialties partnered with Eco Products (a 2008 Incentive recipient) to distribute biodegradable food container products and has worked to spread the word on the importance of sustainable restaurant practices in their blog and newsletter

The Business Flexible Rebate Incentive is not directed specifically at addressing the environmental impact of these companies, but it does try to create a connection between the businesses that receive this incentive and the overall goals of the city. The premise of the city's Flexible Rebate Program is that growing, retaining and modestly attracting businesses to Boulder is necessary for the economic sustainability of the city. The city is also interested in addressing the goal to reduce its carbon footprint and the companies that are awarded this incentive are expected to be taking action to help the community meet this goal.

Boulder's goals of improving the community's social and environmental sustainability are being positively impacted through the work of these companies. By emphasizing both social and environmental goals, the program has raised the level of awareness of the opportunities to serve the community and tools available to companies who wish to learn practices to help them lower their carbon footprint.

Rebate Incentive Recipients – Company Overviews

Celestial Seasonings

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|----------------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| Celestial Seasonings | \$56,441 | (\$51,194) | \$973,871 | \$922,677 | \$19.02 | \$18.02 |

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| Total Employees | 243 | 250 | 259 |
| Resident Employees – Full & Part Time | 63 | 64 | 66 |
| Multiplier Effect - Jobs Created | 51 | 53 | 54 |
| Detail Analysis Attached | | | |

Company Highlights: Celestial Seasonings

- Mo Siegel and Wyck Hay founded Celestial Seasonings in 1969, selling hand-sewn bags of herbal tea to local grocers. It was sold to Kraft Foods in 1984 and was eventually purchased by the Hain Food Group in 2000, forming the Hain Celestial Group.
- The Hain Celestial Group (Nasdaq: HAIN), headquartered in Melville, NY, is a leading natural and organic food and personal care products company in North America and Europe.
- Today, Celestial Seasonings is the largest specialty tea manufacturer in North America. They serve more than 1.6 billion cups of tea every year, and source more than 100 different ingredients from over 35 countries to create all-natural herbal, green, red, white, chai and wellness teas.
- Celestial Seasonings continues to operate its manufacturing plant, tasting room and teashop in Boulder where it also houses its corporate offices. The facility and plant tours attract over 110,000 visitors to Boulder each year of which 60% are from outside of Colorado.
- The company continues to support its originating values of Truth, Beauty, Quality and Goodness. They source their natural ingredients from farmers around the globe and provide them with environmental and economic resources to help them create sustainable agricultural practices.
- Celestial Seasonings practices fair trade with its suppliers
- The management and employees support many local, national and international non-profits some of which include: eTown, St. Baldrick's Foundation, Best Buddy Program (providing thousands of stuffed Sleepy Time Bears for traumatized children), National Breast Cancer Foundation (creating a line of specialty teas for Breast Cancer Awareness Month), Blue Sky Ridge Child & Family Advocacy, EFAA, Doctors without Borders and the Recycle Bank.
- Celestial Seasonings is dedicated to community environmental sustainability through:
 - The recent replacement of lighting fixtures and HVAC controls after energy assessments with CSU and XCEL Energy.
 - Recycling of over 600,000 pounds of manufacturing materials each year

- Ensuring that recycled materials are used for 100% of the corrugate packaging and 85% of the paperboard for cartons
 - Utilizing a tea bag design without strings, tags, staples or individual wrappers for more than 30 years which has saved 3.5+ million pound of waste from landfills annually
 - Promoting Bike to Work Week, providing secure bike parking, showers and changing facilities and helping facilitate carpools
- The company employs over 200 employees, paying an average 80% of their health insurance premiums, providing wellness and tuition reimbursement and a paid day off to work for their non-profit of choice.

Impact of the Boulder Incentive Program on the Choice to Expand in Boulder:

- As Celestial Seasoning expanded its tea line in 2009, management needed to determine the best site to place additional manufacturing facilities.
- Management considered several sites, but it came down to a facility in Longmont and the one ultimately selected in Boulder.
- “This rebate reflects the city’s commitment to supporting and developing businesses as key contributors to the local economy. This rebate was a key consideration in our decision to expand the additional manufacturing facility in Boulder.” - *David Ziegert, VP of Operations, Celestial Seasonings*. “This rebate will allow us to continue to positively impact our community by increasing our investment and commitment in Boulder and growing the Celestial Seasonings brand through the introduction of a innovative products.”

eTown Productions

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|-------------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| eTown Productions | \$50,000 | (\$45,351) | \$205,253 | \$157,634 | \$4.31 | \$3.31 |

| | 2009 | 2010 | 2011 |
|---------------------------------------|------|------|------|
| Total Employees | 12 | 14 | 17 |
| Resident Employees – Full & Part Time | 10 | 12 | 15 |
| Multiplier Effect - Jobs Created | 8 | 9 | 12 |
| Detail Analysis Attached | | | |

Company Highlights: eTown Productions

- eTown was founded in Boulder in 1991 by Nick and Helen Forster
- eTown is a national non-profit organization and syndicated radio program heard on National Public Radio, community radio stations and commercial radio . The program is a variety show format. It features one-of-a-kind, live musical performances and in-depth interviews with visiting musicians as well as high profile authors, policy makers, scientists, poets and other citizens.
- Boulder receives valuable promotion throughout the country as it is mentioned on every show as the home of eTown
- The company participates in the Eco Pass program. 100% of the employees, including part time, have an Eco Pass and most ride the bus or their bikes to work regularly
- eTown promotes recycling for all of its concerts and regular business materials
- eTown provides free tickets and support to numerous non-profit organizations
- The design for their new space will allow eTown to generate 80+% of their power needs on site
- The goal is to create the greenest performance space and media center in the country

Impact of the Boulder Incentive Program on the Choice to Move to Boulder:

- Over the past 5 years, ETown has received many entreaties from the city of Ft. Collins to move ETown out of Boulder to that city.
- The company’s long-term goal has been to stay in Boulder. The struggle has been to find a building that could be obtained at a reasonable price to facilitate recording productions, shows and artist interaction.
- In 2009 Nick Forster was able to structure a deal to purchase the former church at 1535 Spruce Street. The renovation of the historic building into appropriate space to enable

eTown to evolve to meet 21st century communications channel requirements and address the preferences of a younger generation will take significant fund raising. The building needs substantial internal remodeling to meet the needs of the company, to create an extremely energy efficient space and to bring the building into code compliance.

- Major fund raising still needs to occur as the slower economy has slowed donations
- Expectations are for completion of the project in 2011
- “Overall, this is a great program that helped soften the blow of taking on such a significant project in a tricky economic environment. And, after working for so long to try to secure the necessary approvals from the city, it made us feel as if the City of Boulder was in fact a very positive partner in our project.” - *Nick Forster, Founder.*

Rebate Incentive Recipients – Company Overviews

IBM

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|---------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| IBM | \$35,000 | (\$31,746) | \$4,310,125 | \$4,278,379 | \$135.77 | \$134.77 |

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| Total Employees | 2800 | 3300 | 3300 |
| Resident Employees – Full & Part Time | 263 | 310 | 310 |
| Multiplier Effect - Jobs Created | 353 | 416 | 416 |
| Detail Analysis Attached | | | |

Company Highlights: IBM

- IBM established a Boulder campus in 1965 of 470 acres
- In 2007, IBM applied to the city for a rebate incentive of \$100,000 toward their construction of IBM’s 300k square foot Green Data Center
- The city and the state provided incentives to IBM and the Boulder site was selected over Raleigh, NC for the data center, although our combined incentives were well below those offered elsewhere
- IBM invested over \$73 million in the construction of that LEED Certified site with well over \$1 million paid to the city in related use taxes
- The Green Data Center, and the overall data center operated by IBM in Boulder, is a critical component of IBM’s business worldwide and regularly brings customers, management and business partners to the site
- In 2009, IBM again approached the city for an incentive related to the consolidation of a Customer Service Center on the Boulder Campus
- While IBM no longer provides site specific employment numbers, with an estimated 2800 employees, before the addition of the new Pikes Peak Customer Service Center, IBM remains among the largest private sector employers in Boulder County
- In 2008, IBM did provide some commuting data to the BEC for an employer survey. While IBM chooses not to release that data going forward, we utilized the percentage of employees shown to be living in Boulder in 2008 (9.4%) to evaluate the number living in Boulder today for our return analysis
- IBM continues to invest in the entire campus on a regular basis – both facilities and equipment
- IBM and their employees also continue to contribute generously to the non-profit community

- In 2009, the annual Employee Charitable Contribution Campaign (ECCC) donated over \$1.2 million to non-profit organizations
 - Employees donated \$603,000
 - IBM grants and donations to schools and non-profits in Colorado exceeded \$523,000
 - More than 300 employees participated in two ECCC Days of Caring
 - Engineers' Week activities involved 1,000 local students
 - 250+ IBMers e-mentor 4th and 5th graders in area schools using MentorPlace
- IBM also continues to pursue green initiatives in the workplace, participates in the city's 10 for Change challenge and have recently had the city's 10 for Change Program Manager provide an employee briefing

Impact of the Boulder Incentive Program on the Choice to Expand in Boulder:

- Due to the city's previous assistance, IBM corporate has come to view Boulder as a potential site for other expansions or consolidations
- In early 2009, IBM looked at Colorado, Iowa, Indiana and Vermont for the creation of a customer service center and applied to Boulder for a small additional rebate of \$35,000 which was approved by the City Manager, dependent upon the selection of the Boulder campus
- Later in 2009, IBM announced that the Pikes Peak Customer Service Center would be located at the Boulder campus
- The new center provides 500 jobs that do not require a college degree and offer training in IBM products and services as well as other business tools
- "We continue to be delighted with the partnership with the City of Boulder and their support for IBM's initiatives. While it is clear that the size of the rebate does not make a material difference in the actual completion of the project, the gesture of support that it provided to IBM was critical in enabling us to succeed in having Boulder chosen as the location and making Boulder a possible future site for IBM's ongoing innovation and growth." *Larry Longseth, IBM Boulder Senior Location Executive*

Sea to Summit

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|---------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| Sea to Summit | \$10,820 | (\$10,305) | \$67,164 | \$56,859 | \$6.52 | \$5.52 |

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| Total Employees | 19 | 22 | 27 |
| Resident Employees – Full & Part Time | 18 | 19 | 22 |
| Multiplier Effect - Jobs Created | 15 | 16 | 18 |
| Detail Analysis Attached | | | |

Company Highlights: Sea to Summit

- Sea to Summit was founded by Tim McCartney-Snape in 1990 in Australia. They opened their North American distribution in 1998. Initially the company was based in Las Vegas, NV, however in 2005 the company's offices and warehouse moved to Boulder
- The company is a wholesale distributor of camping, backpacking, travel and paddling gear
- The company has seen significant growth since moving to Boulder from two in 2005 to 19 employees in 2009
- Sea to Summit emphasizes buying local whenever possible including accounting, legal, bookkeeping, marketing and graphic design services along with furniture and supplies
- On average 75% of the employees ride their bikes to work
- The company provides a bicycle commuting reimbursement program to help pay for gear and repairs and also provides indoor storage and showers
- The company purchases 100% wind power through Renewable Choice Energy
- A direct arrangement has been made with two other Boulder companies to actually reuse their boxes – avoiding the recycle process to be directly recycled – for all shipping in the last five years
- Sea to Summit is a zero-waste company and a corporate sponsor of the local non-profit Leave No Trace
- The company and their employees actively support non-profits such as EFAA, Care Connect and the Boulder Humane Society and often participate in trail-building or clean-up projects
- The company pays 100% of the employees' health insurance and contributes \$1000 per year per employee to off-set the cost of deductibles under the plan

Impact of the Boulder Incentive Program on the Choice to Expand in Boulder:

- Due to the high growth the company has seen, they became urgently in need of larger space in early 2009
- They identified 14,400 square feet at 3550 Frontier Ave. in Boulder
- “This program is exactly what business needs to help offset some of the costs of expansion. It helped us purchase some of the new furniture and shelving we needed to operate effectively in our new space. Thank you Boulder!” *Shelley Dunbar, Treasurer*

Stratom, Inc.

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|---------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| Stratom, Inc. | \$12,525 | (\$11,361) | \$22,361 | \$11,000 | \$1.97 | \$0.97 |

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| Total Employees | 21 | 17 | 20 |
| Resident Employees – Full & Part Time | 1 | 2 | 6 |
| Multiplier Effect - Jobs Created | 1 | 1 | 3 |
| Detail Analysis Attached | | | |

Company Highlights: Stratom, Inc.

- Founded in 2001 in Boulder by Mark Gordon
- Stratom has provided charitable donations to the American Red Cross, Foundation for Prader-Willi Research, and Hope for the Warriors. Stratom has also supported science programs in Boulder County and surrounding school districts by sponsoring teams for the Lego® Mindstorm robotic competitions which focuses on technology education for middle and high school students.
- Stratom conducts joint research with the University of Colorado and Mark Gordon is active as a Board member of CO-LABS, Inc. – a non-profit organization which works to educate the public on the economic impact of the labs in Colorado and the scientific research that they do
- The company provides assistance to the Community Food Share program and the First Robotics' program
- With the reduction in the number of employees, Stratom is not currently expanding its trip reduction program, but continues to encourage trip reductions among its employees
- Stratom has strongly emphasized recycling in its warehouse/production facility by increasing recycling practices
- In 2010 Stratom was named the #1 Mercury 100 Fastest Growing Private Companies and was the winner of 11th annual IQ Awards, both hosted by the Boulder County Business Report

Impact of the Boulder Incentive Program on the Choice to Expand in Boulder

- Stratom is a small company and when it was time to expand resources were tight. The incentive program It helped us with the capital expenditures we needed to make and the program gave us an incentive to work with local companies. The company does

work for Tendril Networks and Tanberg Data, both Boulder companies until just recently when Tanberg moved to Westminster.

- “The program helped us expand and let us know that Boulder value’s the location of our business here for the jobs we create and revenues we generate. Liz Hanson was an excellent representative for the city and really made us feel recognized” – *Mark Gordon, President*

Tundra Specialties

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|--------------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| Tundra Specialties | \$34,963 | (\$31,712) | \$181,789 | \$150,077 | \$5.73 | \$4.73 |

| | 2009 | 2010 | 2011 |
|---------------------------------------|------|------|------|
| Total Employees: Full/Part Time | 81 | 90 | 98 |
| Resident Employees – Full & Part Time | 12 | 13 | 14 |
| Multiplier Effect - Jobs Created | 12 | 13 | 14 |
| Detail Analysis Attached | | | |

Company Highlights: Tundra Specialties

- Founded in 1993 by Michael Lewis
- Tundra provides 50% of a full or ¾ time employees' health insurance premium expense after 90 days of employment for the first year, and 85% after the first year
- The company is very dedicated to encouraging diversity in the workforce and provides
 - Quarterly screenings of diversity training videos
 - An annual guest lecturer to address diversity in the workplace and to answer employee questions
 - Monthly management training related to diversity and sexual harassment in the workplace
- Tundra is also committed to lowering its carbon footprint and educating its customers as to how they can lower their impact on the planet as well. This includes:
 - Establishing a Tundra GREEN Team to investigate and implement changes to operations and/or products offered to lower impact on the environment
 - Recycling all cardboard, poly bags and packing materials as well as steel and recyclable metal with Eco Cycle
 - Training employees on recycling and separation of materials
 - Purchase of environmentally friendly products for supplies where ever possible
 - Working on a plan for becoming a zero waste company
- After the incentive was granted and Tundra moved to its new facility at 3825 Walnut, management learned that Eco-Products, the nation's leading brand of sustainable single-use food service products like cups and to-go containers and a recipient of one of the city's 2008 incentive rebates, was located only a few blocks from their new headquarters. "We quickly realized Eco-Products would be a perfect fit for our customers," says Ryan Lewis, Tundra's CEO. "Almost every restaurant uses disposable products like Styrofoam containers for leftovers and disposable cups or plates. We're excited to offer a sustainable alternative."

- Tundra Specialties has spread the word about the importance of sustainable restaurant operation through their company blog, in their quarterly news and product magazine, and via social media. By partnering with Eco-Products, both companies have found a way to both inform the food service industry of an evolving problem and provide a solution. (Source: *Earthtimes*, July 1, 2010)
- The company and its employees also actively give-back to the community through:
 - A two-day grand opening of their new facility in March, 2010 which included an auction benefiting There With Care, a nonprofit providing services to critically ill children. 100% of the proceeds went to There With Care.
 - Donation of 1% of the company's net profits to its foundation, Special Ties, which supports organizations such as the Boulder Homeless Shelter, Boulder County Aids Project, EFAA and the Boulder Women's Shelter, to name only a few
 - Quarterly employee food drives
 - A company garage sale with proceeds going to Special Ties
 - Christmas Crusade to help needy families

Impact of the Boulder Incentive Program on the Choice to Remain and Expand in Boulder

- In considering the new location for their expanding business, Tundra Specialties management considered several locations outside of Boulder. They were ultimately able to find a location that could work in Boulder with substantial renovations.
- The city's Business Incentive Rebate helped offset some of the expenses incurred to transform the building into a technologically advanced commercial location including a call center, webhosting site, showroom and distribution center.
- "The city's incentive program allowed us to focus on business opportunities and growth by offsetting moving expenses. It helped us take the opportunity to partner with Eco Products and offer a whole new line of green products to our customers." – *Ryan Lewis, CEO*

VisionLink

| Company | Rebate | Outflow (Rebate) Present Value | Inflow (Taxes) Present Value | Net Present Value | Gross Return on \$1 | Net Return on \$1 |
|------------|----------|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| VisionLink | \$10,230 | (\$9,279) | \$31,430 | \$22,151 | \$3.39 | \$2.39 |

| | 2009 | 2010 | 2011 |
|---------------------------------------|------|------|------|
| Total Employees | 21 | 23 | 24 |
| Resident Employees – Full & Part Time | 8 | 9 | 10 |
| Multiplier Effect - Jobs Created | 5 | 6 | 7 |
| Detail Analysis Attached | | | |

Company Highlights: VisionLink

- VisionLink was founded by Dr. W. Douglas Zimmerman and Kyle Kuczun in 1991, was incorporated in 1996
- VisionLink developed software and services to help organizations integrate their functions so that a single community, region, or state could support social service, education, and workforce operations through a common system. VisionLink realized this objective in 2002, by combining three software product lines into a single coherent system.
- In 2006, VisionLink's technologies were selected to respond to the large need created by Hurricane Katrina. VisionLink deployed multi-state, multi-agency client management systems and shelter management systems currently used in more than 40 states. The months following Katrina tested the firm's capacities as never before. The company is proud to have earned the reputation as the "one technology that did not fail."
- VisionLink helps nonprofit organizations by providing web-based software and related services so that nonprofits can effectively serve their clientele, employ dollars more efficiently and build cross-organizational linkages so that they can work with other community service providers. For example:
 - VisionLink designed, deployed and supports the software behind the phone 2-1-1 service, which United Way of Denver offers so that people can dial this number to find information about social and human services in their local community within Colorado. The software maintains the information on the services and compiles the information on the needs of the callers. This software supports similar services in other states as well.
 - The company provides the software and support for the American Red Cross National Shelter Program which manages information about facilities, capacity and status of more than 54,000 disaster shelters across the U.S.

- The software supporting the Coordinated Assistance Network (CAN) that provides individuals affected by disaster access to a nation-wide network of 350+ disaster relief agencies is deployed and maintained by VisionLink. It allows a disaster victim to describe their needs only once, and the appropriate agencies can work together across the web to offer referrals, case management and services to the victim.
- VisionLink provides average salaries well above the county average and pays 80% of employees' health insurance and 50% of dependents' insurance premiums.
- The company recycles and supports Boulder County Cares and the Boulder Homeless Shelter

Impact of the Boulder Incentive Program on the Choice to Expand in Boulder

- VisionLink utilized the rebates from the program to help fund the purchase of servers for expansion of their operations
- "VisionLink is a Boulder company with a nationwide impact, changing the face of day to day community services and disaster relief in America through Web-based software and partnership-building services. We are honored to have been selected. We find Boulder, Colorado to offer a tremendous synthesis of workforce productivity, quality of life and concern for community-based social services." - *Dr. W. Douglas Zimmerman, president and CEO*

Conclusion and Recommendation

The seven companies awarded rebate incentives in 2009 provide a good representation of Boulder's businesses and include organic/natural food, a non-profit, software, engineering and business supply. The Business Flexible Rebate Incentive Program has continued to generate a strong return to the city for the investment made. This reflects the impact of the strong returns generated by IBM and Celestial Seasonings. The very modest incentives granted to each company were more than offset by IBM's generation of large use taxes on facilities upgrades and capital expenditures and by the sales tax on very strong local teashop sales and visitors' overall expenditures in the city generated by Celestial.

As seen in the prior two years, the program continues to contribute significantly to the companies' decisions to remain in Boulder or to expand/renovate their facilities. We heard for the third year that it was key, when combined with the outreach effort from the city, in making them determine that Boulder wanted them as community members, valued their contributions (economic, social and environmental) and made it worth their while to invest here.

In the case of IBM, the location of the new Pikes Peak Business Service Center was under consideration for their locations in Iowa, Indiana and Vermont as well as Colorado. Boulder offers several advantages to them, but the decision to grant IBM a small rebate put senior management on notice that Boulder values IBM's presence and investment in the community. Celestial Seasonings carefully considered the option of locating their expansion facility outside of Boulder in Longmont or Louisville, but the incentive coupled with the diligent response by city staff to meet the requirements of their new facility won the deal. Finally, eTown, one of our community's true gems that was being actively courted by Ft. Collins, was able to locate and put together the financing for a permanent home in Boulder, which the rebate helped facilitate. The building purchased is a historical one, and has had significant challenges in the renovation process with conflicting city regulations. Although this was frustrating for management, their overall view of the city is quite positive, much of that resulting from the rebate grant and interaction with Liz Hanson in the process.

The return on the \$209,979 invested by the city in rebates is significant from several perspectives. In 2009 we had four businesses that considered leaving the city or placing an expansion outside of the city, in 2008 that number was three and in 2007 it was also four who considered leaving or expanding elsewhere. The financial analysis of each company provides a look at what the impact would be if those businesses had decided to leave the community. The impact of lost jobs and tax revenues from both employee as well as company expenditures in

the community and from the loss of indirect jobs induced by the companies' presence in Boulder would have been significant. From the social and environmental perspective, these companies offer ongoing support to Boulder's non-profits and often lead the way in how to successfully operate a green company with less and less impact on the environment.

By keeping these primary employers in town and helping them grow, the city is able to address both the goal of building and sustaining a vibrant economy while also actively pursuing its environmental goals and creating role models for other businesses to follow.

On a combined basis, the program has invested a total of \$1,032,114 in rebate incentives to 22 companies garnering a net return of \$14,177,430 over the three years of each groups' contracts. The companies have been small and large, steeped in technology or producing food products, new to Boulder or deciding to remain and expand here.

Looking at the combined results of the first three years, not only does the program provide excellent financial returns, it continues to be a significant factor in retaining or growing Boulder companies. The companies' comments tell us that choosing to remain or expand in Boulder is both a financial and an emotional decision. This program hits home on the combination of those factors. To receive the rebate, companies interacted with city staff who visit their place of business and work with them on permits and applications. They receive additional recognition when the city puts out press releases on their decision to come to Boulder, stay in Boulder or expand here. These actions provide strong positive reinforcement of their value and make the company owners/directors and management feel appreciated by "the city."

The financial component of the rebate demonstrated to the companies that, while this Program provides benefits below other cities' incentive programs, Boulder will invest resources to mitigate at least some of the extra cost those businesses have incurred to remain or expand here.

Finally, the financial return on the city's investment in these rebates, despite taking a conservative approach to the analysis, is clearly very strong. No funds are outright given away as the funds are rebates of taxes and fees actually paid to the city. No checks are written on speculative returns, such as sometimes occurs in other communities. Overall, the approach can be judged to be very modest and conservative, but effective.

The 2009, and 2008 analyses continue to support our conclusion of the 2007 Pilot; if Boulder is to be able to keep and refresh an economic engine sufficient to power the community, a

thoughtful tool, such as this Rebate Incentive Program, must be available to the City Manager as she works to attract, keep and grow businesses here that align with the value and goals of the city.

Appendix A

Economic Impact Analysis – City of Boulder Rebate Incentives: 2009 Financial Analysis Assumptions and Data Sources

The following outlines the format, assumptions and data sources used to analyze each company which received a rebate incentive from the City of Boulder in 2009. Key items of note were:

- We continued to use 2009-2011 data to remain consistent with the city's original timing and the requirement that the companies agree to remain in Boulder for three years.
- Data was updated with any changes the companies provided which included updated employee numbers, salary numbers, final construction costs, etc.
- An analysis that combined the impact of the company expenditures with those of direct and indirect employees, based upon their income levels, was utilized for a more comprehensive look at the impact on the community.
- Full and part time employees were included if applicable.
- The Bureau of Labor Statistics Consumer Expenditures Survey from 2008, the most recent survey available, was utilized. Denver MSA numbers are no longer available. To capture the impact of the expenditures of employees, we utilized the total US numbers, at different wage levels, that matched the company's average salary. We believe utilizing average US data is conservative given that Boulder has a higher than average propensity to spend on items such as eating out.
- For the multiplier effect of jobs created, we utilized the Minnesota IMPLAN Group, Inc. 2008 employment multipliers for the city of Boulder by industry code. Many of the multipliers are only available at a 2 NAICS code level which are at a broad-grouping level of industry segments. The following were utilized in the analysis:
 - Food Products – Celestial Seasonings
 - Internet and Data Processing Services – IBM
 - Motion Picture and Sound Recording - eTown
 - Professional, Scientific and Technical Services – Stratom and VisionLink
 - Wholesale Trade – Sea to Summit and Tundra Specialties
- Multiplier induced indirect jobs' salary levels were kept at \$45,000 annually as previously assumed by the city Finance Department (except for indirect jobs induced by eTown due to the part time nature of many of the induced jobs). Induced jobs can include software programmers, engineers, advertising jobs, construction jobs, etc. as well as retail and personal service jobs.
- For non-residential employees, we assumed they spend an average of \$25.00 per week, 50 weeks out of the year. This is well below the expenditure level of \$58.14 per day for a Colorado, non-Boulder resident visiting downtown Boulder for the day in 2008, as reported by RRC Associates in their Downtown Boulder Survey. We did assume IBM non-resident expenditures to be less, with only 25% spending on average \$25/week, due to the distance from city amenities.

Appendix B

BOULDER'S ECONOMIC VITALITY PROGRAM: 2002 – 2009 **2002 – 2007 SOURCE: AUGUST 3, 2007 STUDY SESSION MEMO TO CITY COUNCIL**

The city has set aside funding for EV efforts since 2003. Here is a list of highlights 2002 - 2008:

2002:

- As part of the 2003 budget (in 2002), city EV efforts were funded by using a portion of the resources currently available from \$2.9 million Boulder Urban Renewal Authority (BURA) bond reserve fund that came back to the city when the BURA bonds were paid off.
- A base budget of \$250,000 per year for five years was set for the EV account (with carryover of unused funds each year) beginning in 2003 and *continuing until the end of 2007*. The urban redevelopment portion of the account began in 2004 and *continues until the end of 2008*.
- Prior to 2003, the City Council economic goal group had a series of discussions about economic initiatives and concluded that a more focused effort to formulate an economic policy was required.

2003:

- City Manager Frank Bruno convened the Economic Vitality Action Group (EVAG) in February, 2003—his first few weeks on the job. The charge to the EVAG was to prepare appropriate options, tools and other strategies that will assist the city's efforts to enhance business opportunities and sales tax revenues. EVAG formulated a draft EV policy in August 2003.
- City Council adopted the EV policy in October 2003 (see policy in Attachment H).
- Initial EV staffing took place in late 2003 to mid-2004. Brad Power, who served as Executive Director of BURA since 1997 was hired as the fixed-term redevelopment director in December 2003.

2004:

- Michael Stumpf served as the city's first EV coordinator from summer 2004 until spring 2005.
- The Economic Vitality Advisory Board (EVAB) was named by Frank Bruno in August 2004 as advisory to the city manager.

2005:

- EVAB has provided advice and input to the city manager, individually and in periodic meetings since 2005.
- In April 2005, an EV work plan was adopted.
- After Stumpf's departure, Boulder Economic Council (BEC) Executive Director Sean Maher served as interim economic development coordinator from May 2005 to September 2006.

- An independent assessment of Boulder businesses' views of doing business in Boulder was conducted by business consultant, Ray Wilson in fall 2005.

2006:

- Liz Hanson, a 20-year veteran of the Planning Department, was hired as the city's business liaison in January 2006 for a two-year fixed term.
- An updated EV work plan was reviewed by the City Council at a study session in March 2006.
- A 2007 Business Incentives Pilot Program was adopted by City Council in September 2006.
- Frances Draper was hired as the new executive director of the BEC in September 2006.

2007:

- The city and BEC enter into a 2007 agreement for specific services related to implementation of the pilot incentive program, business outreach, and business retention.
- EV staff implements the approved 2007 Business Incentives Pilot Program: developing application and administrative review processes; creating and implementing a communication plan, including direct marketing and public presentations; and obtaining owner-occupied loan pool commitments and agreements.
- As of August 1, eight flexible rebate and two employee training applications are received from Boulder primary employers.
- The City Council authorizes the Business Incentive Rebate Program for 2008

2008:

- The Boulder Economic Council contracts with the city to complete an analysis of the 2007 Pilot Business Incentive Rebate Program.
- The analysis is completed and presented to City Council on April 22, 2008 showing a return of \$14.41 on every \$1.00 invested in incentive rebates.
- The City Manager grants Business Incentive Rebates to eight companies under the 2008 Program.

2009:

- City Council reauthorizes the City Manager to approve Business Incentive Rebates with some additional sustainability guidelines for companies to meet, to continue each year if funding is made available each year in the city's budget.
- A 2009 budget of \$350,000 is approved for the Flexible Rebate Incentive Program and \$50,000 for the city's contribution to a MicroLoan Fund.
- The Boulder Economic Council provided an analysis of the 2008 program showing a return of \$9.05 on every \$1.00 invested in incentive rebates.

- The City Manager grants Business Incentive Rebates to seven companies under the 2009 program.

2010:

- A 2010 budget of \$350,000 is provided for the Flexible Rebate Incentive Program and \$100,000 for the MicroLoan Fund.
- On September 30, the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government, Harvard University, announced that the city's flexible rebate program, offered through the Economic Vitality Program, was one of 173 government programs selected for its newly-created Bright Ideas program. In its inaugural year, the Bright Ideas honor is designed to recognize and share creative government initiatives around the country with interested public sector, nonprofit, and academic communities.
- Two incentives have been granted and several are pending

Flexible Rebate Incentive Program Background

As noted above, as part of the economic vitality plan, in September of 2006, the Boulder City Council implemented a Business Incentives Pilot Program for 2007 which including the following elements:

- \$500,000 for a flexible fee and tax rebate incentive program to help retain businesses in Boulder and, to a lesser degree, attract new businesses that fit well with Boulder. To be eligible for this rebate companies were required to be primary employers, which the City defines as having more than 75% of their revenue derived from outside Boulder County. The reasoning behind restricting the program to Primary Employers was that companies which sell their products and services on a regional, national and international basis bring new money into the local economy and typically pay higher average salaries enabling their employees to support the local retail and service economy. Award of the rebates was at the discretion of the City Manager and could only rebate taxes and fees that were actually paid. In other words, no straight incentive checks would be written.
- \$300,000 to seed a Boulder Owner-Occupied Loan Pool to assist primary employers with the purchase of their place of business. The Loan Pool was created as a joint venture with local banks and the SBA 504 loan program. The banks participating in the Pool contributed \$400,000 creating a total loan Pool of \$700,000. The combination of funds from the Pool, a bank loan and a SBA 504 loan allows smaller primary employers to purchase a building with up to 95% financing. This program was designed to address business retention based on the findings that companies which own their business property are much less likely to leave a community than companies which lease their space. This program has been discontinued due to lack of resulting loans, and retooled to be part of a MicroLoan Program.
- \$50,000 to provide matching funds, up to \$1000, to companies to train their employees on any skills related to their jobs. The purpose was to show goodwill and support from the city for its growing businesses while helping improve local workforce skills and making them feel part of the community. It also provided a benefit to Boulder's primary employers which they could provide to their employees. This program was also discontinued due to low use and an interest expressed by City Council that the funds be directed to other elements of the Economic Vitality Program.
- Providing resident rates at the city's recreation centers and facilities on certain multi-use and annual passes for any employee of any company in Boulder, without limitation to just primary employers. Again, this provides a benefit to the employers to offer to their employees. This program has been quite successful and continues in place today.

Supporting Studies

1. In 2005 the city of Boulder and Boulder Economic Council conducted a Business Climate Assessment with R.O. Wilson and Company LLC, a local marketing and research consulting firm.* The study consisted of structured interviews with local businesses, both those currently located in Boulder and a few that had recently left the city. The study was spurred by the recent exit of a number of businesses from Boulder including GE Access, Leopard Communications, and White Wave. The goal was to determine why companies were leaving Boulder and what could be done to address the issue. Key findings included:
 - Companies were leaving Boulder due to the cost of doing business, lack of quality space and feeling there was no connection to or support from the city
 - Attention and assistance by the city was important in a company's decision on where to locate
 - Incentives offered by other cities was an important and influential factor – that with other things, tipped the scale
 - Incentives from those other cities was taken as evidence by these businesses that those communities highly value and support business

2. Another study was conducted by the city and the Boulder Economic Council with RRC Associates in 2005, a local marketing and research consulting group. This study, which represented a more statistical look at business attitudes among primary employers toward doing business in Boulder, was designed to determine what actions, if any, could be taken to encourage businesses to stay and thrive in Boulder. * Key findings from that study included:
 - 79% of the responding businesses felt that a business-friendly attitude on the part of city government was important to extremely important when deciding where to locate their business, and 82% felt Boulder rated average to poor on that factor.
 - 74% of the responding businesses felt that the ease of doing business in a city was important to extremely important when deciding where to locate their business, and 71% felt Boulder rated average to poor on that factor.
 - 59% said that a sales or use tax rebate for equipment purchases would be an important or extremely important factor in choosing a location for their business
 - 23% said they were considering to certain that they would leave the City in the next two years

* Copies Available on Boulder Economic Council Website at: www.boulderbusiness.org

3. In 2007 R.O. Wilson and Associates, LLC was engaged by the city to do a follow-up Business Climate Survey to determine whether attitudes had changed at all from the 2005 survey. The study consisted of structured interviews with 30 primary employers across industry types and 12 related parties such as commercial real estate owners, bankers and accountants. The survey concluded:

- Overall “doing business in Boulder” had gotten better
 - The City Manager’s Office had shown more support of business with a Business Liaison position added and more proactive outreach
 - The City Council in place in August of 2007 had made outreach efforts to business
- Notable improvements have been made
- Negative stories still do persist
- The message of what Boulder offers businesses needs to keep getting out
- Many wonder if the city will continue its commitment to supporting and welcoming business
- Lack of available, appropriate quality, large facilities was still the leading concern for growth companies and companies considering a move to Boulder.
- Boulder’s Business Incentive Program was praised
- Concern about its ongoing funding and support by the city was expressed
- City planning and permitting process had improved, but conflicting regulations was still a concern
- Cost of doing business remains high in Boulder along with cost of living

A copy of a presentation on this study made to City Council on August 14, 2007 is available through Liz Hanson at the city’s Economic Vitality Office, hansonl@bouldercolorado.gov .

4. In the spring of 2008, the Boulder Economic Council conducted a Business Climate which built upon the questions and findings of the 2005 RRC Associates study. Of the 404 businesses contacted, 90 completed the survey for a response rate of 22%. The businesses represented a wide range of industries, size, experience and location. The majority of the respondents held executive or senior management positions and most had been in Boulder more than 10 years. Some of the key findings were:

- 54% of the respondents rated Boulder high (4 or 5 on a scale of 5) as a place to do business versus 46% of respondents in 2005
- Benefits of doing business in Boulder were largely related to lifestyle, location, the Boulder brand, resources (CU, labs, workforce and entrepreneurial network) and the city’s progressive approach to environmental sustainability.
- Drawbacks were the high cost of housing, regulations, anti-business sentiment, high taxes, high commercial real estate costs, transportation issues (traffic, commuting, and parking) and a lack of suitable commercial space.

- A significant number of businesses (46%) rated doing business in Boulder as neutral or low.

A copy of the full study can be obtained through an inquiry to Jennifer Pinsonneault at jennifer@boulderchamber.com

These studies indicate a continued need for a business outreach program and that the current efforts do seem to be having a positive impact.

2007 Program Recipients and Return on Investment

Overall Benefit: Original Analysis

5% Cost of Capital

City Rate – Return Earned over the Long Term

| @5% Cost of Capital | Summary of Financial Return - 2007 | | | | | |
|--------------------------|---|----------------------|----------------------|--------------------|------------------------------|--------------------|
| <u>Company</u> | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| Ball Aerospace | \$100,000 | (\$90,703) | \$2,219,704 | \$2,219,001 | \$25.47 | \$24.47 |
| Crispin Porter + Bogusky | \$100,000 | (\$90,971) | \$1,109,089 | \$1,018,117 | \$13.19 | \$12.19 |
| IBM | \$100,000 | (\$90,703) | \$2,511,545 | \$2,420,842 | \$28.69 | \$27.69 |
| LeftHand Networks | \$80,698 | (\$74,073) | \$144,840 | \$70,769 | \$2.96 | \$1.96 |
| Mountain Sports Media | \$44,917 | (\$40,741) | \$224,678 | \$183,937 | \$6.51 | \$5.51 |
| OZ Architecture | \$49,578 | (\$44,969) | \$234,202 | \$189,234 | \$6.21 | \$5.21 |
| Solekai Systems | \$24,807 | (\$22,501) | \$106,876 | \$84,376 | \$5.75 | \$4.75 |
| 2007 Total | \$500,000 | (\$454,661) | \$6,550,935 | \$6,096,276 | \$15.41 | \$14.41 |

PV = Present Value of future cash flows discounted at 5%, NPV = Net of the PV of the outflow and inflow

2007 Incremental Business Return

IBM Green Data Center Project +

Companies who considered leaving Boulder

| @5% Cost of Capital | Incremental Financial Return - 2007 | | | | | |
|-----------------------|--|----------------------|----------------------|--------------------|------------------------------|--------------------|
| <u>Company</u> | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| IBM* | \$100,000 | (\$90,703) | \$1,642,936 | \$1,552,233 | \$19.11 | \$18.11 |
| LeftHand Networks | \$80,698 | (\$74,073) | \$144,840 | \$70,769 | \$2.96 | \$1.96 |
| Mountain Sports Media | \$44,917 | (\$40,741) | \$224,678 | \$183,937 | \$6.51 | \$5.51 |
| Solekai Systems | \$24,807 | (\$22,501) | \$106,876 | \$84,376 | \$5.75 | \$4.75 |
| 2007 Total | \$250,422 | (\$228,018) | \$2,119,331 | \$1,891,313 | \$10.29 | \$9.29 |

PV = Present Value of future cash flows discounted at 5%, NPV = Net of the PV of the outflow and inflow *IBM's return here relates only to the taxes and fees generated by the new data center which the incentive helped win

2007 Analysis Conclusion

The companies all provide broad benefits to the community, not only economically, but socially and environmentally as well. The full benefits analysis provides a conservative assessment of their economic impact at a \$6.1 Million return over three years on the investment made by the city in the form of incentives. However, even when taking a very limited incremental view of the benefits derived from the rebates by only including projects we might not have won and businesses that might otherwise have moved out of Boulder, the city management can feel confident that a strong, net return of \$1.9 Million is still being earned on this investment.

2008 Program Recipients and Return on Investment

Overall Benefit: Original Analysis

5% Cost of Capital

City Rate – Return Earned over the Long Term

| @5% Cost of Capital | Summary of Financial Return - 2008 | | | | | |
|------------------------|---|----------------------|----------------------|--------------------|------------------------------|--------------------|
| <u>Company</u> | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| Advanced Thin Films | \$50,000 | (\$47,619) | \$152,748 | \$105,129 | \$3.21 | \$2.21 |
| Chocolove | \$24,535 | (\$21,849) | \$53,089 | \$31,240 | \$2.43 | \$1.43 |
| Eco-Products | \$29,000 | (\$26,304) | \$389,311 | \$363,007 | \$14.80 | \$13.80 |
| Namaste Solar | \$29,086 | (\$26,382) | \$697,129 | \$670,747 | \$26.42 | \$25.42 |
| Rally Software | \$50,000 | (\$44,833) | \$232,406 | \$187,573 | \$5.18 | \$4.18 |
| Seth Ellis Chocolatier | \$39,514 | (\$34,826) | \$61,893 | \$27,067 | \$1.78 | \$0.78 |
| Siemens Wind Power | \$50,000 | (\$37,588) | \$33,555 | (\$4,033) | \$0.89 | (\$0.11) |
| Wall Street on Demand | \$50,000 | (\$45,351) | \$1,163,070 | \$1,118,070 | \$25.65 | \$24.65 |
| 2008 Total | \$322,135 | (\$284,752) | \$2,783,552 | \$2,498,800 | \$9.78 | \$8.78 |

PV = Present Value of future cash flows discounted at 5%, NPV = Net of the PV of the outflow and inflow

2008 Incremental Business Return

ATF and Siemens Selecting Boulder + Rally staying

| @5% Cost of Capital | Incremental Financial Return - 2008 | | | | | |
|---------------------|--|----------------------|----------------------|-------------------|------------------------------|--------------------|
| <u>Company</u> | Rebate | Rebate Present Value | Inflow Present Value | Net Present Value | Gross or Total Return on \$1 | Net Return on \$1* |
| Advanced Thin Films | \$50,000 | (\$47,619) | \$152,748 | \$105,129 | \$3.21 | \$2.21 |

| | | | | | | |
|---------------------------|------------------|--------------------|------------------|------------------|---------------|---------------|
| Rally Software | \$50,000 | (\$44,833) | \$232,406 | \$187,573 | \$5.18 | \$4.18 |
| Siemens Wind Power | \$50,000 | (\$37,588) | \$33,555 | (\$4,033) | \$0.89 | (\$0.11) |
| 2008 Total | \$150,000 | (\$130,040) | \$418,709 | \$288,669 | \$3.22 | \$2.22 |

PV = Present Value of future cash flows discounted at 5%, NPV = Net of the PV of the outflow and inflow *IBM's return here relates only to the taxes and fees generated by the new data center which the incentive helped win

2008 Analysis Conclusion

The companies all provide broad benefits to the community, not only economically, but socially and environmentally as well. The full benefits analysis provides a conservative assessment of their economic impact at a \$4.5 Million return over three years on the investment made by the city in the form of incentives. However, even when taking a very limited incremental view of the benefits derived from the rebates by only including projects we might not have won and businesses that might otherwise have moved out of Boulder, the city management can feel confident that positive net return of \$288,699 is still being earned on this investment.

Appendix C

Article written for the International Association of Economic Development,
Economic Development Journal Sept., 2009

City of Boulder, Colorado's Flexible Rebate Incentive Program: Economic Development through Sustainability

By Liz Hanson

(ABSTRACT)

This article describes the origin, economic impact, and effectiveness of the city of Boulder, Colorado's flexible rebate incentive program, first adopted in October 2006. In order to qualify, companies verify compliance with community and environmental sustainability guidelines. Including these guidelines was key to City Council support and adoption of Boulder's first business incentive program. For 2008 and 2009, the guidelines were revised and expanded. This is the only business incentive plan in the country that is specifically tied to compliance with community sustainability guidelines and policies.

Tokyo. San Francisco. Chicago. Berkeley. Boulder. Boulder is one of those cities that now goes by one name. Boulder has come to be known for certain things. The distinctive "flatirons" mountain backdrop. The outdoor pedestrian Pearl Street Mall. The University of Colorado. High tech and natural foods companies. Progressive planning and open space policies. And being a bit, well, different. One thing Boulder hasn't been known for is its economic development. Boulder doesn't call it economic development – instead: "economic vitality." So when the city of Boulder won a 2008 IEDC Award for Excellence (in the category of "Sustainable and Green Development"), even Harvard called, inviting an application for its Innovations in American Government Award. What is Boulder doing that is so different again?

Boulder and Economic Vitality

Boulder's Economic Vitality Program is a relatively new part of city government. Economic development was not an identified function of the city until 2003, when \$2.9 million in urban renewal bond reserve funds were set aside for a five-year "Economic Vitality" program. The program was continued through 2009 and funding is now being planned for 2010 and ongoing years.

For many years, there was a local and regional perception that Boulder had an attitude toward business that was either "ambivalent" or "anti-business." The city's efforts of the past six years, including the funding of a proactive and growing Economic Vitality Program, show that Boulder actively supports the retention and expansion of existing local businesses and maintains a positive business climate.

Primary employers such as manufacturing and research/development companies, as well as the University of Colorado, federal laboratories, retail businesses, arts and culture, and tourism all play

strong roles in the Boulder economy. A goal of Boulder's Economic Vitality Program is to leverage all of these components of our community to build a sustainable economic base to support the quality of life the Boulder community desires. *To learn more about Boulder's Economic Vitality program, please visit our web site at www.bouldercolorado.gov and click "Business" at the top of the city's home page.*

In 2006, Boulder was the only municipality in the region that did not offer some sort of business incentive program. The Boulder City Council discussed how over the last five years Boulder had experienced a decline in overall economic activity and an increased outflow of local businesses moving to other cities. This trend contributed to the loss in city revenues from sales and use taxes as well as construction fees and taxes. In this context, Economic Vitality staff recommended the adoption of four business incentives: 1) a flexible tax and fee rebate program, 2) employee training assistance, 3) a loan pool, and 4) a Boulder employee discount to city parks and recreation facilities. These incentives were funded by the Economic Vitality budget and implemented as a pilot program in 2007 to evaluate their impacts and measure community acceptance.

Also in 2006, Boulder created a new business liaison position. This full-time staff member oversees the Economic Vitality work program and provides general assistance to existing and prospective Boulder businesses, administers business outreach and incentive programs, oversees sponsorships, and assists businesses with planning and development issues.

Sustainability-Based Business Incentives

Boulder's 2007 Pilot Business Incentive Program, later refined for 2008 and 2009, was adopted to provide business incentives to help primary employers invest in Boulder by upgrading their facilities and equipment. Aimed primarily at encouraging the growth and retention of homegrown companies in Boulder, it is flexible enough to allow for recruitment of businesses deemed a "perfect fit" for the community.

The largest part of the incentive program, the flexible rebate program, is designed to not only keep businesses in Boulder, but to focus on retaining and attracting businesses with sustainable practices. In order to qualify for consideration under the flexible rebate program, companies must verify compliance with Boulder's community and environmental sustainability guidelines. The inclusion of these guidelines was key to City Council support and adoption of the incentive program. Development of community and environmental guidelines was done in the context of the city of Boulder's current community sustainability policy and extensive green development programs. See sidebars.

For Boulder, community sustainability is a philosophy and framework to help the city make decisions by looking at the long-term implications for the community. The sustainability process integrates economic vitality, social equity and responsibility, and environmental quality goals, and prioritizes work and resources based on these goals and the values of the community. Known locally as Boulder's "three-legged stool," community sustainability is a practical and actively used policy framework, rather than a theoretical concept.

Boulder's Flexible Rebate Program

Under Boulder's flexible rebate program, the city manager along with Economic Vitality staff has the authority to negotiate an incentive package to meet a company's specific needs. In 2007, \$500,000 was invested in tax/fee rebates to seven primary employers ranging from \$24,807 to \$100,000. In a constrained budget environment in 2008, a total of \$322,135 in tax/fee rebates was approved for eight primary employers. The 2009 program is underway with a \$350,000 budget.

This program is reserved for primary employers (defined as a business or organization which generates at least 50 percent of its revenues from outside of Boulder County). The focus on primary employers is based on the fact that these companies sell their products and services on a regional, national, and international basis and bring new money into the local economy. Also, they typically pay higher average salaries enabling their employees to support the local retail and service economy.

To ensure that rebate recipients are contributing to a sustainable community, City Council adopted sustainability guidelines for the 2007 pilot program. For 2008, the Boulder City Council expanded the guidelines to include community and environmental sustainability guidelines, in addition to the existing social sustainability guidelines. The guideline options were further expanded for the 2009 program.

Sustainability incentive guidelines were developed that can provide significant social, environmental, and economic benefits to Boulder businesses. City staff focused on areas that were considered to have potential for *additional encouragement or incentives* to the business community. Because each company is different and has differing abilities to meet certain guidelines, the expanded 2009 program provides more flexibility to allow companies to choose the guidelines that fit best.

Applicants for the Flexible Rebate Program complete an online application to verify compliance with social, environmental, and community sustainability guidelines by choosing a minimum number of "points" and documenting compliance in the areas listed below. To review the application, including eligibility requirements and sustainability guidelines, please visit the city of Boulder web site at www.bouldercolorado.gov, click "Business" at the top of the home page, and then "Business Incentive Programs" on the left.

Social Sustainability:

- Average wage requirement
- Health insurance
- Diversity support
- Non-profit support
- Dependent care
- Housing assistance

Environmental Sustainability:

- Energy: Energy assessment, “10 for Change Challenge” (a local program to support energy use reduction by 10 percent over a year), energy savings training, and renewable energy (credits or installation)
- Waste Reduction: Recycling program, zero waste program, and environmental purchasing policy
- Energy Certifications: Local certification program or LEED (Leadership in Energy and Environmental Design) ratings
- Transportation: Employee commute trip reduction program, bus pass / transit program, and financial incentives for transit costs or subsidies

Community Sustainability:

- Business practices that further the city’s policies related to sustainability
- Buying in Boulder: Purchasing a minimum of 25 percent of its total goods and services (based on value) from businesses located in the city of Boulder.

Under this program, employers are not eligible for a rebate until they have made their investment and paid the applicable taxes or fees to the city. To maximize flexibility and impact, the program covers a wide range of fees and taxes charged by the city including:

- permit and development review fees
- construction use taxes
- use taxes paid on durable goods such as equipment, furnishings, and computers.

If awarded, companies must sign a rebate agreement with the city agreeing to maintain a business presence in Boulder for a minimum of three years from receipt of the incentive as well as agreeing to comply with the community sustainability guidelines identified in the company’s application for a period of three years. Companies may request that the city manager approve rebates of taxes and fees paid in the current year and estimated taxes and fees for the following two years. However, rebate funds are paid to a company only at the time that receipts are submitted. Receipts may be submitted in “batches,” e.g. on a quarterly basis.

The Companies

In 2007, seven Boulder primary employers were awarded rebates totaling \$500,000. All seven companies signed rebate agreements and six of the seven have completed submittal of receipts for the total amount of their rebate approval. In 2008, the second year of Boulder’s flexible rebate program, \$322,135 in tax/fee rebates were awarded. It is interesting to note that the 2008 recipients are generally smaller companies than the 2007 applicants (in terms of number of employees and overall revenues). Ten applications were received and two were withdrawn. The 2009 program is in process

with six applications and three approvals. The 2008 and 2009 recipients are in the process of signing rebate agreements and submitting receipts for issuance of rebate funds.

The list of rebate recipients has reflected the variety of Boulder's primary employers in size and industry, with clusters in high technology, natural and organic foods, "active living," and clean technology / renewal energy companies. Many are "homegrown" companies that had their start in Boulder and are now thriving and growing, expanding in new Boulder locations. In the first three years of the flexible rebate program, companies approved for rebates include:

- **Larger employers:** IBM, Ball Aerospace, advertising agency Crispin Porter + Bogusky, financial software company Wall Street on Demand
- **Energy companies:** Namasté Solar and Siemens (opened the first U.S. wind power research facility in Boulder in 2008)
- **Technology and software companies:** Rally Software, Solekai Systems, HP LeftHand Networks, VisionLink, Advanced Thin Films (optics)
- **Natural food companies:** Chocolove and Seth Ellis Chocolatier
- **Compostable distribution company:** Eco-Products
- **Publishing company:** Mountain Sports Media
- **Architectural firm:** Oz Architecture
- **Active living gear company:** Sea to Summit
- **Nonprofit organization (national radio broadcasts):** eTown

See Table 1 for a list of all flexible rebate companies and the rebates approved.

A report by the Boulder Economic Council on the 2007 pilot flexible rebate program concluded that while the incentives may not have been the sole factor in the companies' decisions to remain in Boulder or to expand/renovate their facilities, the incentives were a significant part of those decisions. In several cases, it could be considered as the "tipping point." This program helped these companies determine that Boulder wanted them as community members, valued their contributions in sustainability, and made it worthwhile to invest here. Following are some quotes from these companies.

- "We're thrilled to be approved for participation in this program and pleased to be staying in Boulder as it is the 'Silicon Valley' of storage, which aligns nicely with our business." - John Hillyard, chief financial officer, LeftHand Networks (now HP LeftHand)

- "Boulder has widespread name recognition among "foodies," and it was our desire from the start to have a Boulder address. Having the city's support and interest as we've created a world-class chocolate production facility has helped us work smarter and faster, with fewer false starts. This is a wonderfully supportive community for our business, and we're pleased to call Boulder our home." - Rick Levine, manager and a founder, Seth Ellis Chocolatier
- "We're a Boulder company at heart and we're grateful that the city of Boulder was able to offer these incentives to keep our headquarters here. Community involvement and sustainability are both incredibly important aspects of our culture. Our employees have led us to divert about 800 gallons of composting and contributed 800 volunteer hours in the first half of 2008. We're proud that the city's incentives rewarded us for being a good corporate citizen." - Tim Miller, CEO, Rally Software
- "It was very important to us to keep our main office in Boulder. If it weren't for the city's flexible rebate program, it would have been difficult for us to accomplish this. We plan to utilize the rebate funds to pursue LEED Gold certification for our building and set a positive example for the Boulder community. We're so happy to be staying in Boulder - there's no place we'd rather be!" – Blake Jones, CEO and president, Namasté Solar
- "Since Eco-Products grew up in Boulder, it is important for us to remain here. The Economic Vitality Plan allows us to remain a part of this vibrant community." – Steve Savage, CEO, Eco-Products.
- "The 2008 business incentive program rebate is allowing us to make our office a better place for our employees to work, and our employees are the reason we are in Boulder in the first place." - Jessica Pappas, director of administration, Wall Street On Demand
- "This is a great example of the city's effort to help attract and retain businesses within the city limits. With this rebate, the city of Boulder clearly acknowledges that the nonprofit and arts community play a significant role in the economic health and vibrancy of the city. For a small nonprofit like eTown, this is a big and expensive undertaking, and this rebate is especially appreciated." - Nick Forster, president and CEO, eTown

Return On Investment: Contribution to Economic Development

2007 Program

The city of Boulder contracted with the Boulder Economic Council (an arm of the Boulder Chamber) to calculate the return on investment for the \$500,000 in city tax and fee rebates awarded to seven primary employers in 2007 and the \$322,135 invested in eight companies in 2008. The report, presented to the Boulder City Council on April 22, 2008, found that the city will recoup a net \$6.1 million over a three-year period. In other words, for every one dollar invested in rebate incentives, the city will recoup an aggregate \$14.41 on a current-cash-flow basis.

The sustainability benefits were also assessed:

- All of the recipients have some level of philanthropic involvement with the community. These efforts range from fund-raising drives and direct help to non-profits in getting the work done to significant donations. An overview of the specific philanthropic involvement was documented in the Boulder Economic Council report.
- All of the companies had a directive toward lessening their impact on the environment. Several rebate awards went directly towards “green” construction projects, including IBM’s \$89 million “green” data center and a LEED silver certified tenant finish for OZ Architecture.

2008 Program

The Boulder Economic Council’s analysis of the return on investment for the 2008 program finds a \$6.31 return for every one dollar invested in rebate incentives. There are several reasons why this rate of return is lower than the 2007 program:

- On average, the companies are smaller (in number of employees and total revenue) than the 2007 rebate recipients. The largest company, Wall Street on Demand, has the highest total return of \$23.10.
- A company like Siemens Wind Power has a lower total return (\$0.70) due to its small size and low capital investment. However, attracting Siemens’ first U.S. wind power research facility to Boulder will likely result in a spin-off effect of drawing additional companies with “green” jobs and research.
- The 2008 rebate program invested directly in several companies whose main mission focuses on sustainability efforts. Siemens, Namasté Solar, and Eco-Products fall in this category.

Lessons Learned

Evolving Program

Since the 2007 pilot, the Flexible Rebate Program has been modified and refined each year based on city staff experience administering the program and on feedback from companies that have used it. Company comments and input have been critical to the development of each year’s eligibility requirements and sustainability guidelines. Past and current rebate applicants have been a yardstick as to whether compliance with draft guidelines was achievable or too onerous.

During development of the 2009 guidelines, smaller companies said that the proposed expanded list of guidelines would have given them more flexibility and options. Also, the city modified the definition of “primary employer” in 2008 - threshold changed from 75 percent to 50 percent of revenues from outside Boulder County - after working with two small businesses that were just below the 75 percent threshold but were growing primary employers making significant investment in their facilities. Staff research showed that if communities used any revenue threshold in their primary employer definitions, it was usually 50 percent.

What Works

In a community that can be wary of economic development efforts, there are several factors that help make this program successful:

- **It is a rebate program.** No funds are distributed to businesses unless taxes and/or fees are paid and receipts submitted.
- **It is a broad business retention tool.** Sometimes, the existence of the program brings businesses to the attention of Economic Vitality staff. The program may learn of a company considering consolidation, expansion, or relocation that would not have otherwise contacted the city.
- **It is a tipping point.** The dollar amount of a rebate approval may not be the deciding factor. To a business deciding whether to leave or stay or expand in Boulder, a financial incentive can be an important consideration and an indication that the city values its presence and investment. City rebates have also helped leverage state of Colorado incentives.
- **Businesses demonstrate sustainability.** Discussed further below, the sustainability guidelines ensure that the city is investing in businesses that share the sustainability goals of the city. In fact, in many applications, Boulder businesses “brag” about the extent of their sustainability efforts and programs.
- **It is a reasonable city investment.** With annual budgets ranging from \$350,000 to \$500,000, Boulder may budget less for incentives than other communities. However, this budget is a “comfort level” in the context of the overall city budget and priorities.

Economic Development Through Sustainability

The Flexible Rebate Program helps the city’s businesses meet community goals and be more sustainable in their business practices. As businesses throughout the community get more information about the rebate program, it increases the awareness of the city’s programs to help both businesses and residents develop sustainable practices. Even if businesses review the rebate program and do not apply, they learn about these city services.

Having criteria based on the community’s sustainability values demonstrates to the residents and employees in the community that the value of sustainable practices and products is recognized and the city is working to incorporate these elements in programs, policies, and decision-making. Inclusion of these sustainability guidelines is critical to City Council and public acceptance of the incentive program, particularly in a community where many residents have concerns that city funds could be better spent than providing rebates to companies.

This program can be used an example for and is easily transferable to other communities looking to create or develop incentive programs tied to social and environmental sustainability goals. Sustainability guidelines can be customized according to each community’s priorities and local programs. Boulder

Economic Vitality staff regularly receives inquiries from other communities who want to learn more about the program, as they develop or revise their own incentive options.

Liz Hanson is business liaison for the city of Boulder, Colorado. (HansonL@bouldercolorado.gov)

(SIDEBAR 1)

OVERVIEW OF CITY OF BOULDER, COLORADO'S COMMUNITY SUSTAINABILITY POLICY

From the Boulder Valley Comprehensive Plan and the Social Sustainability Strategic Plan: The adopted Community Sustainability Policy for Boulder, Colorado, is that the city and county recognize:

- The critical interrelationships among economic, social and environmental health;
- The way we produce, trade and consume impacts our ability to sustain natural resources;
- Social and cultural equity and diversity creates valuable human capital that contributes to the economy and environmental sustainability;
- Planned physical development has an impact on social conditions and should be considered in community planning; and
- The quality of environmental, economic and social health is built upon the full engagement and involvement of the community.

The city and county seek to maintain and enhance the livability, health and vitality of the Boulder Valley and the natural systems of which it is a part, now and in the long-term future.

The city and county seek to preserve choices for future generations and to anticipate and adapt to changing community needs and external influences.

(SIDEBAR 2)

OVERVIEW OF CITY OF BOULDER
OFFICE OF ENVIRONMENTAL AFFAIRS
GREEN DEVELOPMENT PROGRAMS

The city of Boulder's Office of Environmental Affairs (OEA) provides leadership to achieve Boulder's goals of environmental sustainability and quality. Its mission is to prevent pollution, reduce resource consumption and promote environmentally sustainable practices. OEA develops city policy, offers educational programs and partners with citizens, businesses, and other organizations to protect Boulder's environment.

Programs coordinated by OEA include efforts to increase recycling, promote energy efficiency and renewable energy, and green building. These programs are designed to not only promote environmental sustainability, but also work to create an economically vital and progressive working environment by educating Boulder businesses and residents about both the environmental and economic benefits of sustainability. Boulder's programs include:

- Single Stream Recycling
- Curbside Composting
- Partners for a Clean Environment
- Residential Energy Action Program
- ClimateSmart at Work
- 10 for Change Challenge
- Solar Grant Fund
- Solar Sales and Use Tax Rebate
- Income Qualified Weatherization
- Green Points (building permit program)

TABLE 1

**CITY OF BOULDER'S FLEXIBLE REBATE PROGRAM
LIST OF COMPANIES AND REBATES APPROVED
2007 – 2009**

2007

| | | |
|--------------------------|---------------------|------------------|
| LeftHand Networks | Software/Tech | \$80,698 |
| Crispin Porter + Bogusky | Advertising | \$100,000 |
| Mountain Sports Media | Publishing | \$44,917 |
| IBM | Computer Services | \$100,000 |
| Ball Aerospace | Aerospace Tech | \$100,000 |
| Solekai Systems | Digital Engineering | \$24,807.06 |
| OZ Architecture | Architecture | \$49,577.94 |
| TOTAL APPROVED | | \$500,000 |

2008

| | | |
|--------------------------|--------------------------|------------------|
| Advanced Thin Films | Optics | \$50,000 |
| Siemens Power Generation | Wind Energy Research | \$50,000 |
| Seth Ellis Chocolatier | Food Manufacturer | \$39,514 |
| Wall Street On Demand | Software | \$50,000 |
| Rally Software | Software | \$50,000 |
| Namasté Solar | Solar Energy | \$29,086 |
| Eco-Products | Compostable Distribution | \$29,000 |
| Chocolove | Food Manufacturer | \$24,535 |
| TOTAL APPROVED | | \$322,135 |

2009

| | | |
|------------------------------------|---------------------------|-----------------|
| Sea to Summit | Wholesale Distribution | \$10,820 |
| VisionLink | Software | \$10,230 |
| eTown | Nonprofit Radio Broadcast | \$50,000 |
| IBM | Computer Services | Pending |
| Boulder Beer | Manufacturer | Pending |
| ProStor Systems | Data Storage | Pending |
| TOTAL APPROVED AS OF 8/1/09 | | \$71,050 |

Appendix D

Boulder Economic Council Company Financial Analysis

1. *Celestial Seasonings*
2. *eTown*
3. *IBM*
4. *IBM – Incremental Analysis – Pikes Peak*
5. *Sea to Summit*
6. *Stratom, Inc.*
7. *Tundra Specialties*
8. *VisionLink*