

MEMORANDUM

TO: Mayor and Members of City Council

FROM: Frank Bruno, City Manager
Stephanie Grainger, Deputy City Manager
Sean Maher, Director, Boulder Economic Council
Brad Power, Redevelopment Director
Molly Winter, Director, Downtown and University Hill Management Division /Parking Services
Peter Pollock, Planning Director
Liz Hanson, Business Liaison
Benjamin Hewitt, Economic Vitality Intern
Donna Gartenmann, Arts Commission Liaison
Mary Huron Hunter, Public Relations Manager
Maureen Rait, Director of Public Works for Development & Support Services

DATE: February 24, 2006

SUBJECT: **Study Session – March 9, 2006**
Economic Vitality: 2005-06 Work Plan Update and Business Assistance Options

I. PURPOSE

The intent of the March 9 meeting is to update and summarize the continuing work done in promoting economic vitality, and to review and discuss options for a business assistance and incentives program.

II. QUESTIONS FOR COUNCIL:

1. Does Council agree that progress on the 2005-06 Economic Vitality Work Plan is generally on track?
2. Does Council believe that the business assistance options that are being explored are generally in the right direction?

III. BACKGROUND

The City Council launched the current economic vitality effort in 2002. In the following year the City Council adopted the Economic Vitality Policy, which tasked the City Manager, Economic Vitality Director, and Redevelopment Director with setting a multi-year work program for Economic Vitality. On February 22, 2005, staff presented a draft Economic Vitality Work Program to City Council. After incorporating Council's guidance and comments, the work plan was brought before Council as a

motion on April 19, 2005 and subsequently approved. The update included in this memorandum summarizes the work done in implementing the work plan since its approval.

IV. ISSUES

A. Recent Action Items

While work continues on implementation of the overall work plan, the following summaries highlight recent action items and provide updated news about these efforts. Attachment A provides an overview update report on the work plan.

1. Boulder Innovation Center

The Boulder Innovation Center was launched in mid 2005 and has quickly become a major source of support for new and growing companies in Boulder. The BIC currently serves 14 clients and has a strong partnership with the University of Colorado's Technology Transfer Office, the Naturally Boulder Task Force and the Software sector in Boulder. Plans for 2006 include expanded educational programs, more resources for the natural products industry, and the addition of new clients to the Next Level entrepreneurial support program.

2. Natural Products Initiative

The natural products task force had a very productive year in 2005, hosting several successful events, launching a website, and creating a monthly e-newsletter on the local industry. The highlight was the Naturally Boulder event in October which drew over 300 attendees to a full day of seminars, networking events and a tour of Rudi's Bakery. Plans for 2006 include an expanded Naturally Boulder event and the possibility of a regional retail promotion focused on Boulder natural products.

3. Hill Redevelopment

Over the last several years, city and UHGID efforts, including the development of a Hill Business Plan and a charrette, have identified 3 potential locations in the commercial district for redevelopment all focused around under-utilized surface parking lots. Since the city-sponsored charrette in April 2005, serious interest has been stimulated on the part of private property owners and developers. Private initiatives are underway to gain consensus among the property owners and create preliminary plans for mixed use redevelopments, including residential and underground parking, for the sites. Two of the proposals would involve UHGID-owned property. City staff has been in continuous contact with the developers and are awaiting presentation of the proposals by the end of the first quarter.

4. Planning and Development Services Improvements

Business consultant Ray Wilson was hired by the city to conduct interviews with business firms who have made recent decisions regarding expansion or relocation in Boulder (see Attachment B, Overview of Business Assistance

Study). One of his findings was that the permit and development review process in Boulder is perceived as an impediment to business development. While Boulder's development standards are generally higher than surrounding communities, improving the manner in which the permit and development review process is managed is an area of focus for the P&DS management team.

Expanding on successful meetings with members of the Boulder Economic Council, P&DS is putting together a group to be called the P&DS Advisors, a representative group of the many different customers that P&DS serves. This group will be asked to make suggestions for improvements in the administrative practices of P&DS. Meetings are anticipated four times a year. This group will also be helpful in the preparation of the P&DS Strategic Plan and in establishing work program priorities for improvements to the core services of P&DS.

5. Business Liaison

The City Manager hired Liz Hanson to serve as the city's Business Liaison and a new member of the Economic Vitality team. Hanson, a 20 year veteran of the city's Planning Department, began in the new role on January 31, 2006. She will provide customized city services and one point of contact to businesses. In addition, the Business Liaison will provide assistance with development, redevelopment or relocation in Boulder, while helping businesses evaluate their properties' or projects' development or expansion potential. This position will also provide general assistance ("who do I need to talk to for...?") with referrals to city department contacts for business start up, and questions about "doing business" in Boulder. The city's Business Liaison will team with the Economic Vitality Coordinator and the Redevelopment Director to listen to concerns, answer questions, and be responsive to the needs of the business community.

6. Retail Strategy

Following the completion and presentation of the Boulder Retail Strategy, a motion to direct staff to further assess development options for big box retail development within the existing city limits was adopted by City Council on September 20, 2005. Staff is assessing sites within the city for their development suitability, and a community survey of retail shopping patterns, store and site preferences is underway. The staff analysis and survey results will be presented to the City Council in the early spring.

B. 2005-06 Economic Vitality Work Plan: Update Report

City staff continues to partner with several Boulder organizations to develop innovative methods and creative approaches to economic vitality. Efforts have been focused on implementing the "*key strategies for economic health*" identified in the Economic Vitality Work Plan while developing new and original programs. **An update report on the six key strategies of the Work Plan is provided in Attachment A, with a focus on:**

1. An active program of visitation to businesses
2. An industry cluster approach
3. Developing appropriate business assistance resources
4. Encouraging rehabilitation or redevelopment of “tired buildings”
5. Supporting the Boulder Innovation Center
6. Working with the University of Colorado, NOAA, NIST, NCAR, and other research facilities

In addition to working on these specific strategies, city staff has worked alongside other organizations on a number of economic vitality initiatives, each of which aims to improve the vitality and vibrancy of Boulder’s economy. This array of programs is diverse and sound progress has been made on each of them. **Attachment A includes a progress report on each of the following initiatives:**

- Customer Service Improvements in Planning and Development Services
- Tourism and Arts
- Conference Center
- Downtown Boulder
- University Hill Redevelopment
- Retail Strategy
- Minority Business Assistance Program
- Communication Efforts

C. Business Assistance and Incentives Program

1. Background

Much has been said about Boulder’s decline as the regional leader in retail sales over the last seven years. However, an equally concerning trend has emerged among the city’s primary employers. According to the CU Business Research Division, the city lost roughly 7,800 jobs between 2000 and 2005. Many of these losses came when homegrown Boulder companies relocated to nearby cities. A few examples include:

Company	New Location	Primary Jobs Moved
Dean Foods	Broomfield	425
GE Access	Westminster	600
Leapard Communications	Broomfield	100
Allegro Coffee	Thornton	80

According to an informal survey of local commercial realtors, the ratio of companies that leave Boulder for nearby cities vs. those who move in from those cities is roughly 5:1. This net outflow of employers and jobs is not healthy or sustainable. This is demonstrated by the city’s high commercial vacancy rate and 2.5 million square feet of unoccupied space.

2. Why Primary Jobs?

The companies listed above are classified as primary employers. This means they generate at least 75 percent of their revenues outside of the immediate region by selling goods or services nationally or internationally. Primary employers are critical to the local economy because they are the largest source of “new money” into the region. This “new money” increases the collective wealth of the community and makes up for the natural leakage that occurs in every local economy.

Secondary employers include retailers, restaurants and service providers. These firms provide the essential services and add to the quality of life that define a community. However, unlike primary employers, they are net importers of goods and services and rely on a healthy primary employment base in order to thrive. The following table summarizes the differences between primary and secondary employers.

Primary Employers	Secondary Employers
Revenues from OUTSIDE the region	Transfer money INSIDE the region
Increase collective wealth of the community	Provide essential services and add to the quality of life
New money flowing in offsets \$ leakage	Reliance on imported goods and services results in leakage
Fuel local economy	Thrive on strong primary sector

3. Competition for Primary Jobs

Recruiting and supporting primary employers is the focus of most economic development efforts around the country. In our region, the competition is fierce with most cities offering multiple incentives to companies who relocate. In some instances, the total incentive amount can reach several hundred thousand dollars for a single company. Each of the firms listed in the above table received incentive packages to relocate out of Boulder.

4. Business Assistance Study

Last summer and fall the Boulder Economic Council teamed with Ray Wilson, a business consultant, to evaluate the scope and impact of economic incentives in the Boulder region (see Attachment B). Phase 1 of the study focused on incentive programs in other cities. The study found that almost every community in the region offers business incentives. Phase 2 of the project focused on interviewing employers regarding the impact of incentives on the relocation decision. Input from more than 30 companies showed that incentives were not usually the primary factor, but did have an impact on the decision process.

The financial incentives ranked as most influential included:

- Sales and use tax rebates/waivers
- Property tax rebates/waivers
- Planning and permitting fee waivers

Non-financial incentives noted were:

- Expedited permitting process
- Access to and interest from city leaders
- Training resources
- Resident discounts for non-resident employees at city Parks and Recreation facilities

Many employers acknowledged that a Boulder location will cost more than competing cities and expressed a willingness to pay a “Boulder premium.” However, there is a strong perception that the city does not welcome business and is indifferent when firms move out. The fact that Boulder is the only city in the region without business incentives can reinforce that negative image.

5. Business Assistance Options

Based largely on the feedback received from the employers, the Boulder Economic Council, along with city staff, has developed a list of five potential business incentives for City Council to consider. These incentives focused on three main goals:

1. *Show that Boulder is open for business and is not anti-business*
2. *Support primary employers*
3. *Retain homegrown companies*

In addition to input from employers, the proposed incentives have been presented to the members of the BEC as well as the city’s Economic Vitality Advisory Board (EVAB) for their input and suggestions. After several rounds of modifications, the incentive recommendations include:

1. **Retention - Based Use Tax Rebates**

This program would allow qualifying primary employers who invest in new manufacturing, research and development, or communications equipment to apply for a rebate of use taxes paid to the city. Rebates for each qualifying company would be capped at \$10,000 per year with an annual \$500,000 cap on the overall program.

- **Qualifying Companies:** 170-180

2. **Discretionary Fee & Tax Rebates**

This program will provide flexibility to the City Manager in negotiating an incentive package with specific employers within the city. For example, a key city employer in need of more space may be offered a rebate of use taxes and/or development fees incurred during the expansion or relocation process. This program would be subject to an annual budget cap of \$500,000.

- **Qualifying Companies:** 10 or fewer per year

3. Job Training & Education

Primary employers located in the city of Boulder may apply for matching funds from the city for professional development and employee training. Qualifying programs would include the Boulder Innovation Center, Small Business Development Center, CU Continuing Education and Naropa Continuing Education. The 50/50 matching funds will be capped at \$1,000 per company and the program limited to \$50,000 annually.

- **Qualifying Companies:** Approximately 600

4. Employee Discount Program

This program would extend resident discounts for City facilities to non-resident employees in Boulder. Facilities and programs covered would include recreation centers, Flatirons Golf Course and other Parks & Recreation programs and services. This would be the only proposed incentive open to non-primary employers.

- **Qualifying Companies:** Approximately 3,000

5. Loan Pool for Owner-Occupied Real Estate

Through this program, the city would partner with SBA lenders to fund a loan pool that would loan primary employers up to 5 percent of the purchase price of real estate as part of a 504 financing package. This incremental funding would lower the required down payment to 5 percent vs. 25 percent for traditional bank loans or 10 percent for a standard 504 loan. Details of this incentive are provided in Attachment C.

- **Qualifying Companies:** Undefined

Issues for Consideration

These proposed incentives have been presented to several groups including the City Council goal committees on Economic Vitality and Community Sustainability as well as the Boulder Economic Council members and the Economic Vitality Advisory Board. Some issues that have been raised are covered in the following sections.

Issue #1: Sustainability Goals

In addition to the economic benefits that come with primary jobs, the issue of promoting investments in “social capital” has been raised. While recognizing the city revenue generated directly or indirectly by primary employers is important, it has also been suggested that the city recognize those companies that provide valued benefits to its workforce and invest in the long term value of its employees. These investments by employers may include:

- Offering dependent care benefits for children & elders
- Workforce diversity
- Flex time and telecommuting options
- Home ownership assistance

These goals could be reflected in a separate incentive or they could be incorporated into one or more of the five business assistance programs already proposed above. One option is to utilize the use tax rebate program. There would be a base incentive for all primary employers with additional “tiered” rebates for companies that make qualifying investments in workforce benefits.

Issue #2: Wage Requirements

Most cities that offer business incentives tie them to a wage requirement. The reason is that jobs which pay at or above the average wage in a region generate greater overall economic benefit. Low paying jobs can create a burden on a community's social safety net and often provide no overall economic boost. In Boulder, the average wage is \$49,600. The average annual wage for Colorado is \$40,400.

Staff recommends that an average wage level be a requirement of qualifying primary employers. However, some of Boulder's best known employers may not qualify for incentives if wage requirements are implemented. These companies include natural products firms who employ primarily production workers.

Issue #3: Program Complexity

Employers as well as EVAB members expressed a concern about creating too much complexity in the requirements for each incentive. If the incentives are layered with too many “hurdles,” they risk having the opposite effect of their intended goals. This is also an issue for city staff regarding administration and monitoring of the programs.

The desire to have each incentive accomplish multiple objectives must be balanced against the need for a clear, concise program of business assistance tools.

Issue #4: Recruiting vs. Retention

While the main goal of the program is retention of existing primary employers, the issue of selective recruiting must be addressed. While relatively infrequent, there will be instances where a prospective company will merit an offer of one or more business incentives to influence a location decision.

Issue #5: Budget Considerations

Assuming all of the proposed incentives are adopted and all meet their annual expense caps, the cost of the overall program would be roughly \$1,050,000 per year. For 2006, the funds to initiate this program could come partially from the current economic vitality reserve fund. The remainder of the funding could come from expected “one-time” revenues resulting from construction use taxes collected in 2006.

Next Steps

Once we have feedback from City Council on business assistance priorities, economic vitality staff will perform a more detailed financial impact analysis on the options for both short-term and long-term funding of the program. This analysis will be coordinated and integrated with the city business plan and could, perhaps, be reviewed by the Blue Ribbon Panel. Staff will then bring a motion and ordinance regarding program specifics and funding for City Council consideration at a Council meeting later this year.

ATTACHMENTS

ATTACHMENT A

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Economic Vitality Work Plan – Key Strategies for Economic Health

- *Progress and Next Steps*

Economic Vitality Work Plan – Initiatives and Programs

- *Yearly Updates*

ATTACHMENT B

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Overview of Business Assistance Study

ATTACHMENT C

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Owner- Occupied Loan Pool Business Incentive

ATTACHMENT A

ECONOMIC VITALITY WORK PLAN – KEY STRATEGIES FOR ECONOMIC HEALTH

Progress and Next Steps

Strategy #1

*Engage in an active program of **visitation to businesses** located in the city, with the intent of proactively identifying issues and working to resolve them.*

Background:

Strategy #1 has been a key component of the efforts made to implement the Economic Vitality Work Plan and improve the business climate. Understanding that businesses are key stakeholders in the Boulder community, many of the initiatives developed by staff have aimed to engage business owners through collaboration and partnership. In early May the City of Boulder partnered with the Boulder Economic Council, with the objective of building upon the City's economic vitality efforts and implementing the identified initiatives. Sean Maher of the Boulder Economic Council is assisting in directing these efforts and leading the new partnership.

Through this creative collaboration, along with partnerships with the Boulder Chamber of Commerce, Visitors Bureau, and other organizations, City staff has actively engaged and worked with the business community to address their needs. In addition, staff has launched a series of initiatives to expand relationships with businesses in Boulder, including:

- Consistent visitation with businesses in Boulder through meetings with City staff, the City Manager, and members of City Council. These meetings have been frequent, positive, and very successful in retaining several businesses within the City of Boulder, including meetings with Carrier Access, and several other businesses.
- Consultation with over 40 specific businesses to identify their development needs through the Economic Vitality Director and Senior Planner.
- Additional duties implemented by the Senior Planner, from April 2005 to January 2006, pertaining to the resolution of different issues and needs throughout the Boulder business community.
- A comprehensive Primary Employer Survey which aims to gain critical information from a population of over 700 businesses, regarding their needs and how the City can best meet them.

Next Steps:

The City Manager identified the need and hired a full-time Business Liaison within the City Manager's Office to assist in resolving business development issues and building consensus with the business community. Liz Hanson, a 20-year veteran of the Planning

Department, was hired as the new Business Liaison and started in the new full-time position on January 31, 2006. In addition, staff has done significant research to develop new business consultation methods. Some of these include the development of a “one-stop shop program” in which all business queries can be addressed, and the implementation of an online database to track business visitation and satisfaction. Moreover, staff will analyze the results of the Primary Employer Survey to identify the key needs of businesses in Boulder and will draft recommendations based on the survey results.

Visits with businesses are continuing to be conducted and scheduled. The economic vitality team is assessing options to create a comprehensive business visitation management database to enable tracking of visits and to adjust the timing of our efforts as conditions warrant.

Primary Contacts: Liz Hanson, Business Liaison and Sean Maher, BEC Director

Strategy #2

*Adopt an **industry cluster approach** to fostering business growth. Industry cluster strategies are partnerships between businesses, government, education and organizations to work collaboratively in ways that promote innovation and the competitiveness of cluster businesses.*

Background:

Several industries were identified as potential cluster candidates, including the Natural Products Industry. Boulder is known around the world as the center of the natural products industry. This made natural products the obvious first choice as a focus cluster. A Natural Products task force was established as a sub-committee of the Economic Vitality Advisory Board (EVAB)

The Naturally Boulder task force began meeting in 2004 and sponsored its first event in the spring of 2005. This networking reception was attended by over 150 people. The task force’s mission is two-fold, both to solidify Boulder as the epicenter of natural and organic products, and support and nurture young companies within the natural products industry. To this end, in October the group hosted Naturally Boulder Day which included a wide variety of events including:

- A tour of Rudi’s Organic Bakery
- 4 educational workshops
- Legends panel and “pitch slam”
- Reception and mini trade fair

The city of Boulder was the founding sponsor of the event. Following the city’s lead, 24 companies became sponsors at various levels. The event generated more than \$20,000 in revenues and \$3,500 in profits. Over 300 people including young entrepreneurs, industry pioneers and service providers attended one or more of the sessions.

The task force has also created a website (www.naturallyboulderproducts.com) and distributes a newsletter with industry news, events and developments.

Next Steps:

Staff is engaging leaders in other potential industry clusters, including active living and renewable energy. In addition, the natural products task force is exploring several projects for 2006. These include:

- An expanded Naturally Boulder event with more intensive seminars and immersion into natural products production, marketing and sales.
- Expansion of the website as an industry resource with features and information that will appeal to a national audience as well as local producers.
- The task force is considering creation of a nonprofit entity to manage the flow of revenues and expenditures as well as formalize the management of future projects.

Primary Contact: Sean Maher, BEC Director

Strategy #3

*Develop appropriate **business assistance resources** to encourage the retention, expansion, and attraction of businesses valued by the community. These tools will include both financial and technical assistance programs. The city will also make appropriate changes to its codes and policies. **Note: The incentives portion of this strategy discussed in detail in the Study Session memorandum.***

Primary Contact: Sean Maher, BEC Director

Strategy #4

*Adopt policies and programs that encourage **rehabilitation or redevelopment of “tired buildings.”** Financial assistance programs and project expediting will be targeted to industrial and office buildings where existing Boulder businesses may locate or expand.*

Background:

Over the summer and fall, research was conducted with property owners, developers, employers and brokers to solicit feedback on what types of programs or incentives the city could provide to encourage updating tired buildings. These efforts included:

- Meeting with the EVAB real estate subcommittee.
- Individual meetings with key developers and brokers.
- Feedback from the Boulder Economic Council.
- Research with key employers who left Boulder due to a shortage of quality space.

The feedback from the stakeholders was clear and consistent. Major points include:

- Responsibility for tired buildings falls on the property owners and not the city.
- Market forces are much stronger than any financial incentive the city can provide (fee waivers and tax breaks are not necessary).
- Time is money – and excessive delays in permits are a major issue.
- The city can help most by making its process easier and quicker to navigate.

In response, the P&DS groups implemented several immediate administrative changes to the planning and permitting processes to address these concerns. These are detailed in the P&DS update section.

Next Steps:

P&DS will continue to seek administrative improvements in the overall development review process and continue to solicit ideas and suggestions from customers. Also, Liz Hanson, as the new Business Liaison, will pass on business community suggestions to improve permit and development review processes. A focus of this position is to advise businesses wishing to relocate or expand in Boulder regarding project and code issues (“pre-pre-application” consultations).

Primary Contacts: Brad Power, Redevelopment Director & Liz Hanson, Business Liaison

Strategy #5

*Support the efforts of the **Boulder Innovation Center and other organizations** to encourage entrepreneurship and small business development.*

****These efforts also include encouraging minority entrepreneurship through the support and expansion of our **Minority Business Retention Program**.*

Background:

The Boulder Innovation Center (BIC) was launched on March 1, 2005 with \$50,000 in seed capital. The city of Boulder provided \$25,000 in funding. Doug Collier was named the President and a vision was created for a dynamic ‘entrepreneurial community’ in Boulder. In less than 8 months, the BIC has accomplished the following milestones, with the assistance of many organizations including the City of Boulder:

- Developed an innovative support system that currently serves 14 entrepreneurial businesses.
- Created strong partnerships with Boulder’s *Naturally Boulder Task Force* and Boulder’s software community.
- Created an alliance with the University of Colorado’s Technology Transfer Office, Deming Center for Entrepreneurship, and Law School.
- Recruited a rapidly-growing ‘entrepreneurial community’ that consists (today) of more than 150 top entrepreneurs, business executives, and service providers and 14 corporate sponsors.

Next Steps:

City staff will help the BIC accomplish a number of their goals, outlined below:

1. The BIC will introduce a major new program designed to help entrepreneurs raise start-up capital.
2. The BIC will significantly increase the size and scope of its educational program.
3. The Next-Level Program, a support program for young companies, will be expanded to allow the BIC to serve as many as ten different companies at the same time.
4. The BIC will build a much larger and more effective organization in 2006 – a goal that involves hiring additional staff, creating an accessible and easy-to-use website, implementing a multifaceted communications program, conducting an effective support program for corporate sponsors, and creating a comprehensive database that allows easy access to the BIC's new entrepreneurial community.

Minority Business Support

In addition to helping the BIC accomplish the goals above, City staff will continue working with numerous organizations to expand its minority business assistance efforts. Utilizing the Small Business Development Center (SBDC) as a partner in our efforts, the EV team has implemented several initiatives to better serve the minority business community and achieve the desired objective of the Economic Vitality Work Plan. Some of these include:

- Creation of a Minority Business Resource Guide.
- Spanish speaking business counselors available through the SBDC.
- Minority Business Trade Fair was held on December 15th
- Continued dialogue and collaboration with organizations such as the Hispanic Chamber of Commerce.

The SBDC is currently negotiating with the Governor's Office of Economic Development to receive a grant focused on minority business support. These funds would be used for additional Spanish language business consulting and possibly a Spanish speaking hotline to provide business assistance to businesses throughout the Front Range.

There is also a second Minority Business Trade Fair scheduled for the spring of 2006 in Boulder.

Primary Contact: Sean Maher, BEC Director

Strategy #6

Work with the University of Colorado, NOAA, NIST, NREL, and other research facilities to promote technology transfer and maintain or enhance the presence of these facilities in Boulder.

Background:

In 2005, the Boulder Economic Council convened a Federal Labs Coalition to work to promote Boulder's research assets. The group has held five meetings and is comprised of representatives from:

- The local federal research labs
- NCAR and UCAR
- University of Colorado and Colorado State University
- City of Boulder
- Boulder Economic Council and Boulder Chamber of Commerce
- Colorado Congressional offices- Senator Wayne Allard, Senator Ken Salazar, Representative Mark Udall, Representative Bob Beauprez
- Governor's Office of Economic Development

The coalition's mission is focused on promoting the labs economic, educational and scientific impacts on Colorado to the media, political leaders and the general public. We must not be caught off guard next time Oklahoma (or another state) tries to move any of these assets out of Boulder. A secondary goal is to promote these resources nationally as a reason for other research facilities and related businesses to consider locating here.

Next Steps:

The coalition is very diverse and a major challenge has been narrowing its focus to a manageable scope and raising funds to carry it out. Metro Denver EDC (Economic Development Corporation) has agreed to work with the group in 2006 to define a sustainable model and assist in raising funds. We also have a commitment from the Governor's Office to allow a formal request for funding from the Colorado Economic Development Commission. Finally, in an effort to gain political support beyond Boulder, we will invite and encourage the National Renewable Energy Laboratory in Golden to become an active member of the coalition.

Primary Contact: Sean Maher, BEC Director

ECONOMIC VITALITY WORK PLAN – INITIATIVES AND PROGRAMS

Yearly Updates

Customer Service Improvements in Planning & Development Services

Issue Statement:

Planning and Development Services consolidates all of the development related activities in the Planning and Public Works Departments. Over the past two years, this service area has experienced a reduction in 16 staff and approximately \$1 million in funding due to budget reductions. Even given the budget challenges, P&DS has continued to foster a culture of continuous improvement.

Partners:

P&DS has engaged the Boulder Economic Council and others in initial discussions on how to improve customer service. One of the findings of the consultation with Boulder companies that considered moving or did move out of the community was the importance of the planning and permitting process. Boulder's system is seen as overly complex and cumbersome in comparison with other nearby communities. Already, some "quick wins" have been identified and the groundwork is being laid for an ongoing communication between representatives of P&DS customers as the strategic plan and 2007 budget proposal are developed. The City Manager's funding of a two-year business liaison position will strengthen existing efforts in this area.

Approach:

Improvements efforts already implemented include:

1. A reallocation of 2006 budget resources to create a new residential plans examiner position. This will add a building permit plans examiner, allowing the existing position to focus on commercial and industrial properties.
2. A number of "e-gov" applications have been developed allowing customers to secure information and conduct business over the FAX and web. See <http://www.ci.boulder.co.us/buildingservices/skipatrip/skipatrip.htm>
3. Recent hiring has filled some vacant positions in land use review and "up-front" at the P&DS center. In addition, a one-year term position was added in land use review and funded by Economic Vitality to eliminate the "back-log" of projects waiting in the queue.
4. Liz Hanson has been hired as the business liaison position in the City Manager's office. This position will help businesses who are considering relocation or expansions make sound decisions.
5. P&DS has instituted monthly "In-Service Days," which allow for staff to focus on building permit processing and business process improvements.

6. The land use code simplification project is moving toward completion, with the next step being a testing period before final adoption in May 2006.

Based on feedback from members of the Boulder Economic Council, further improvements in the administration of building permits, especially tenant finish permits have been identified. As an example of a "quick win," the zoning administrator now meets with those taking-in tenant finish permits to determine if a planning review is needed or not. Other immediate measures include the development of building permit application checklists to assist applicants in making sure submittals are complete.

As P&DS works on its own strategic plan in preparation for the 2007 budget submittal, a stakeholder group, the P&DS Advisors, will be engaged to generate ideas and to react to staff proposals. The group will be ongoing to assist in improvements over the long term.

Primary Contacts: Peter Pollock, Planning Director and Maureen Rait, Director of Public Works for Development and Support Services

Tourism and the Arts

Issue Statement:

Tourism is an important component of the City of Boulder economy. Estimated direct spending through tourism in 2003 dollars is \$355,399,635 per year; that results in direct city sales tax revenue of \$10,319,771 per year generated by day visitors, and visitors staying in hotels and with family and friends. City staff continues to work with the Boulder Conventions and Visitors Bureau to highlight the tourist attractions and artistic nature of the Boulder community, while improving the cities economic vitality in this regard. Several initiatives and partnerships have been established during the last seven months, including:

- The Boulder Sports Alliance (BSA) was formed in 2005, with Boulder Parks and Recreation facilitating a coalition of local sports organizations, and the Boulder Convention and Visitors Bureau. The BSA was formed to promote Boulder as the preferred destination for events and activities benefiting the community both socially and economically and to actively recruit artistic and sporting events.
- AVP (formerly Association of Volleyball Professionals) selected Boulder to host the tour back for the first time since 1996. The 2005 tour found Boulder's enthusiasm and support for professional beach volleyball beyond their expectation. AVP agreed to host their tour in a multi-year agreement through 2008. Hosting the AVP spotlighted the economic importance of world class events such as this and Bolder Boulder.
- With much enthusiasm, Boulder was host to its first feature length film crew in July. The actual filming was five days, the immediate economic impact was about \$500,000. However, the long term impact is still being determined. With potential assistance of the Colorado Film Commission, the Colorado Tourism Office, and many of Boulder's organizations the marketing plan and action steps will be completed by years end. The collective efforts of this plan will be felt by the

premiere of the movie in the early 2007. In addition, we will identify the long term promotional opportunities with and spin-off of key messages from the film.

- Commerce Culture and Communities, Boulder chapter identified their goals to include diversity and inclusiveness to create opportunities and audience development. The Boulder Art Commission sponsored a Boulder County Arts Alliance Business of Arts Workshop as the beginning stage to understand the strategies organizations must take for a comprehensive plan. A Community Arts forum was held to discuss and cultural heritage tourism and diversity through inclusiveness were the agenda items. Organizations identified what current efforts are in place brainstormed on what could be done including what other type of events could be held as tourism activities. 41 arts organizations attended.

Partners:

There are a number of partners actively engaged in the City's efforts, including the Boulder Convention and Visitors Bureau (BVCB), Boulder Chamber, BEC, and City staff.

Approach:

There is much planned to continue the partnerships outlined above. Representatives from the Boulder Boulder, CU Athletics, and the Boulder Valley School District will be asked to join the BSA, to develop partners for assistance in promoting events in Boulder. In the early spring of 2006, the BSA expects to have an economic impact as a baseline of the current sports market in Boulder as well. The Boulder Arts Commission, the Boulder County Arts Alliance and the Boulder Convention and Visitors Bureau will host an arts and cultural boards forum. The discussion will include Cultural/Heritage tourism, diversity and a call for involvement of all arts organizations to assist with the 2006 Arts Economic Prosperity study. And lastly, Boulder has joined other Front Range communities in the 2006 ArtScapes Gallery Guide. This beautiful guide is distributed to hotels/motels, realtors, libraries and visitors destinations. The Art of Fine Dining is also included to represent Boulder as an arts destination.

Primary Contacts: Mary Ann Mahoney, BCVB Director and Donna Gartenmann, Arts Liaison

City-wide Conference/Convention Center

Issues Statement:

The Economic Vitality Policy supports the creation of a conference center to increase the opportunity for more conferences, meetings, banquets, cultural and community events. The policy also encourages and supports the implementation of the Sustainable Tourism Master Plan which, in turn, also calls for the development of a conference facility including opportunities for use by the community.

The development of a conference center would attract visitors with the highest spending characteristics and be an investment in Boulder's future financial health. Conference visitors come to our city, spend money and leave without a long term drain on city

infrastructure or services. Also, a conference facility of a sufficient size could bring back many non-profit events that have left the city due to lack of a right-sized facility, and be a venue for cultural and civic events during times not booked by a conference.

While it is anticipated that a tax increase would be necessary to fund the center's construction and operation, the conference center would only be pursued if the additional revenues generated by conference participants throughout the city in hotels, restaurants, shops etc. proved to be great enough to generate a net positive to the city economy.

The primary reason for a citywide conference/conventions center is to garner new revenues for the city. The goal will be to bring new business to the city and hence new city tax revenue – making a bigger economic pie, not re-slicing the existing one. The financing strategy for the conference/convention center is to focus on the segments of the community that would benefit most from the facility. It is envisioned that a citywide election would be necessary to raise accommodations and restaurant taxes. Also considered is a special assessment district if the center is located downtown. The parking component of the facility would be handled through CAGID.

In 2001, the BCVB in association with the city and other organizations, commissioned an initial market analysis for a generic conference center in Boulder without a specific location identified. The CS&L study indicated that there is a market support for a stand-alone 90,000 to 130,000 square feet conference center. An updated study was completed by CS&L in June 2003 evaluating the potential of using the civic use site in the 9th and Canyon project. The prognosis was that the site was too small to accommodate the program.

During 2003 and 2004 a variety of potential sites were considered for the conference/convention center. In March 2004, a staff working group comprised of representatives from the Boulder Conventions and Visitors Bureau; city of Boulder's Downtown and University Hill Management Division and Parking Services, Arts Commission and BURA; Downtown Boulder, Inc.; CU; Boulder Chamber of Commerce; Hotel/Motel Association and the Boulder Economic Council, conducted a detailed analysis of approximately 10 sites throughout the city using a variety of criteria. The working group's recommendation, which was also supported by analysis by John Kaatz of CS&L, was a site along Canyon Boulevard adjacent to the St. Julien Hotel. The property owners were willing to have the site considered and consented to have the city develop schematic designs. No formal agreements were made.

In order to ensure broad community understanding and involvement, a Community Advisory Committee was established at the beginning of 2004. The Committee is comprised of representatives from Boulder hotels and motels, downtown business community, the Chamber of Commerce, the Boulder Economic Council, CU, Planning Board, the city of Boulder – staff and Council Members, the Federal Labs, the Boulder Convention and Visitors Bureau, and Downtown Boulder, Inc. They were convened several times a year to provide their perspective, insights and advice at critical decision points throughout the conference center process.

Also during 2004, the 9th and Canyon Civic Use Task Force recommended that the civic use pad at the 9th and Canyon Urban Renewal Plan be incorporated into the design of the potential adjacent conference center site creating a combination of a conference

facility with community and cultural spaces integrated into the overall design – the “hybrid” design. City Council affirmed this approach at a study session in September of 2004.

In February 2005, City Council adopted Resolution No. 968 directing staff to provide an in-depth feasibility study for an economically-sound community-wide conference/convention center at a downtown location along Canyon Boulevard; to apply for an Federal Economic Development Administration grant to help cover feasibility costs to study including stand alone community uses, such as civic, educational or cultural uses complying with established criteria; and, coordinate with the University of Colorado and the Federal labs regarding their potential use of the facility.

The following was accomplished during 2005:

CS&L was retained to conduct a feasibility study for a conference/convention facility in a downtown location. The study was commissioned in phases. The first phase was to analyze local market conditions, competitive and comparable facilities and communities, and market demand, program and event analysis. During that process, CS&L interviewed 50 local community and non-profit organizations, deans and staff at CU, 250 organization event planners, 40 state and regional event planners and numerous competitive and comparable facility managers and CVB representatives. The results from the first phase would be evaluated prior to proceeding to the final phase of the study which would cover the economic and fiscal impact analysis of a conference/convention facility on our economy.

The results of Phase I of the study indicated consideration market strengths in location, amenities – both outdoor, cultural and dining/shopping, and strong name and product recognition. Market weaknesses focused on lack of full serve hotels within walking distance, dispersion of hotel inventory, costs and lack of industry reputation.

- Unfortunately, the Federal Economic Development Administration grant was not received. However, one of the property owners of the potential Canyon Boulevard site contributed funds to cover one-half of the cost of the CS&L Feasibility Study.
- Throughout this process city and BCVB staff have meeting with CU administrative and academic staff on a regular basis to explore opportunities for collaboration and coordination.
- City and BCVB staff engaged in discussions with a broad cross section of cultural, community and non-profit organizations to assess their interest in both the use of a conference facility for events, programs and fundraising activities, as well as a more permanent presence in the “hybrid” civic use concept within the conference center building envelope. There was interest in pursuing both opportunities.

Partners:

In considering a community-wide conference/convention center, the City took a deliberative approach – one of collaboration with other organizations, education and community consensus building. To that end, the City partnered with the Boulder

Convention and Visitors' Bureau (BCVB) and created a broad-based, inclusive process seeking the input and feedback from a diverse range of organizations and institutions. This was a lesson learned from the unsuccessful 1994 bond election for a conference center at the Boulder Theatre.

Approach:

As of November 2005, the preferred site along Canyon Boulevard is no longer available for consideration as a conference/convention center. Throughout the deliberations, the private property owners were committed to the concept of the community-wide conference center facility for the betterment of downtown and the community. They have offered financial support to fund the feasibility studies. However, in the end, the timeframe necessary for a tax-supported public project seeking broad-based community support and inclusion proved to be inconsistent with their private redevelopment plans and schedules. The City and the BCVB appreciate their support and willingness to participate in the process.

The Phase II of the Feasibility Study will be put on hold until viable alternative sites are presented for further consideration. The staff working group will be developing options for the city manager. Recommendations for future action will be presented to City Council in the first quarter of 2006. In addition, staff will be considering options and next steps for the civic use site at 9th and Canyon.

Primary Contact: Molly Winter, Downtown and University Hill Management Division /Parking Services Director

Downtown Boulder

Issues Statement:

Over the past forty years, Downtown Boulder has emerged as one of the most successful central business districts in the nation. Downtown Boulder's success has resulted from a series of major public policy decisions and private sector resolve that have adjusted to new realities in the Boulder marketplace. In 2005, Downtown Boulder confronts a new series of market uncertainties. Following a prolonged regional economic recession, office vacancies exceed 15% and leasing activity is soft. Downtown's predominance as Boulder's primary destination for dining, shopping and entertainment is challenged by the imminent opening of Twenty Ninth Street, a new lifestyle shopping center being developed ten blocks east of Downtown at the site of the former Crossroads Mall.

Partners:

The Downtown Strategic Plan has been a partnership between the City of Boulder's Economic Vitality fund and the Downtown Management Division, and downtown Boulder – Downtown Boulder, Inc. and the Downtown Boulder Business Improvement District.

Approach:

Seeking a strategy to strengthen Downtown over the next three to five years and explore how the central business district and Twenty Ninth Street can best work together to

benefit Boulder, the City and its downtown partners commissioned the 2005 Downtown Strategic Plan. Denver-based Progressive Urban Management Associates was selected to guide a 35-member Task Force to develop the Strategic Plan. These recommendations are:

Recommendation Area/Lead Agency

- Support small businesses – BID with support from Boulder Economic Vitality
- Simplify Parking – DUHMD/PS
- Refresh Downtown's Positioning/Image Strategy – BID/DBI; and DMC
- Enhance the downtown experience through additional housing and a showcase for local arts and culture – DBI; Boulder Planning Department
- Build a downtown Conference/convention Center – DUHMD/PS with BCVB
- Strategically connect with Twenty Ninth Street through Boulder-centric marketing –BID/DBI

2005 Accomplishments:

Support Small Businesses:

- DBI and Chamber published Small Business Guide
- Downtown Real Estate Database on DBI website
- Downtown Office Space Value Analysis by DBI
- Solar-powered outdoor wireless web access on the mall by DBI
- Business Improvement District support of Clean and Green

Simplify Parking:

- Parking Angel program by DBI
- City of Boulder's Parking Services introduction of 20-day Garage Pass
- City of Boulder's Parking Services Best Practices in Parking Review completed
- City of Boulder Parking Enforcement warning policy implemented for front license and expired plates violations

2006 Next Steps:

- Evaluate Downtown Strategic Plan accomplishments with the Task Force and adopt 2006 priorities
- Participate in the Responsible Hospitality Grant to identify issues and solutions with mixed-use development
- Implement Parking Best Practices Recommendations, including:
 - Develop Capital Renovation Master Plan for CAGID garages
 - Consideration of first hour free parking program for CAGID garages
 - Accept credit cards in the garages
 - Address perception of parking availability
 - Develop customer-focused policies and training programs

Result:

The goal of this project is to ensure that the downtown is in the strongest possible position to be a competitive player in the regional marketplace.

Primary Contact: Molly Winter, Downtown and University Hill Management Division
/Parking Services Director

University Hill Redevelopment

Issue Statement:

Boulder's University Hill is a unique business district that has served both the University of Colorado and the University Hill neighborhood for more than 100 years. The business district enjoys a colorful history that has mirrored the ebbs and flows of the community's political, social and economic changes. In recent years, University Hill has drifted into a state of economic lethargy. Retail sales have been flat, its retail and restaurant mix has weakened and its relevancy to a variety of its traditional markets has diminished.

Partners:

The University Hill General Improvement District Advisory Committee (UHGID) has been focusing its efforts and priorities over the last 5 years on seeking ways to be a catalyst for change and renewal on the hill involving hill stakeholders – businesses, residents, students and the university. UHGID has commissioned a variety of studies, plans and analyses to better understand the hill's market potential, to market the hill's assets and attract larger audiences, to engage hill property and business owners, and to encourage redevelopment with a greater mix of uses.

Approach:

In the late 1990's the Council adopted the Hill Area Plan that, in addition to other recommendations, resulted in public improvements to the hill streetscape funded by the City and UHGID. Over the past 5 years, UHGID commissioned a number of studies and plans to assist in and encourage hill commercial area redevelopment. The 2000 Hill Market-Based Plan (or PUMA Study) included an economic profile of the demographic analysis of the Hill's potential and traditional markets, an analysis of competitive business districts, perspectives of University Hill stakeholders, market implications, a niche marketing strategy and recommendations for moving forward.

In 2003, the UHGID Advisory Committee endorsed the Hill Vision Plan to capitalize on the existing momentum and take new innovative steps to propel the Hill towards becoming a vibrant and thriving economic center. The Plan focused on creating public space and mixed use redevelopment. In order to understand the viability of redevelopment on the hill, the Ross Consulting Group was commissioned to create a Hill Business Plan to gauge the area's development potential from a financial and business perspective, i.e. what would it take to make redevelopment financially feasible. The 2004 Business Plan recommendations included assembling properties for redevelopment with additional parking, creation of an historic district, investigation of transferable development rights and inclusion of civic spaces in redevelopment.

2005 Accomplishments:

- City/UHGID-Funded Workshop on the potential of a business improvement district on the Hill
- Redevelopment Workshop in April included broad stakeholder involvement and developed plans, programs and financial issues for the four potential sites recommended in the Business Plan
- Private sector development of conceptual plans for several sites
- City/UHGID partnership with the Hill Alliance, CU and others on a variety of events on the hill including CU Homecoming, Welcome Back Fest and the Conference on World Affairs

2006 Next Steps:

- City/UHGID follow up with private sector redevelopment proposals utilizing public parking lots
- Continued City/UHGID partnership with the Hill Alliance and others on event sponsorship and marketing

Result:

The goal of the project is to foster redevelopment within the hill commercial district in order to enhance its economic viability by diversifying the mix of uses.

Primary Contact: Molly Winter, Downtown and University Hill Management Division /Parking Services Director

Retail Strategy

Issue Statement:

The Boulder Retail Strategy was completed to provide direction pertaining to future retail development options as part of the five-year update of the Boulder Valley Comprehensive Plan. The strategy focused on assessing the market in Boulder for mid-box retailers of 20,000 to 40,000 square feet in size, and large format or big-box retailers that typically occupy stores of at least 150,000 square feet. The retail strategy was undertaken during the summer of 2005. It focused on:

- identifying existing mid and big-box retailers in Boulder;
- assessing current and anticipated retail market demand;
- examining possible locations for future mid and big-box retail development; and
- reaching out to major retailers regarding their interest in placing a store in Boulder in the future.

Partners:

The strategy was reviewed by the Planning Board in August and by the City Council in September. The development of the retail strategy was identified as a major initiative in the Economic Vitality Work Plan, and staff sought insight from several parties in this regard, including the Economic Vitality Advisory Board Retail Sub-committee.

Approach:

On September 20, 2005, Council adopted a motion to direct staff to conduct additional research regarding the feasibility and issues associated with attracting a big box store to locate within the existing incorporated city. The research is intended to provide Council with additional information from which to determine next steps related to the proposed retail development option for a 23 acre undeveloped property located within the Planning Reserve. The research regarding development options within the city, including a community survey of retail issues, and the identification of possible public financing tools will be completed and presented for City Council's consideration in the early spring of 2006.

Primary Contact: Brad Power, Redevelopment Director

Communication Efforts**Issue Statement:**

Augmenting our economic vitality efforts, we have rolled out our communication plan and implemented specific communication methods to reach each portion of our community. We've done so through a number of media, including:

- Sponsorships of programs, including the Boulder Chamber's Esprit Entrepreneur, the Boulder County Business Report's IQ awards and Naturally Boulder Day where the city is able to promote its efforts, network with business constituents and participate in program events;
- Exhibiting at the Boulder Chamber's Boulder County Business EXPO where we marketed the city's business assistance programs and Web resources to hundreds of EXPO attendees;
- Consistent marketing and promotions of initiatives and programs, including news releases, story pitches editorials, advertisements, and other communication pieces;
- A new Web portal, www.businessinboulder.com, which will continue to grow and serve as a nexus for economic vitality in the city of Boulder; and
- Participation on and influence in the city's Web redesign effort to create a stronger, more prominent business presence on the city's home page (www.bouldercolorado.gov) to send a message that the city of Boulder is business friendly.

Partners:

City staff has worked with local media and organizations to increase the visibility and effectiveness of the Economic Vitality Program. In addition, many of the city sponsorships thus far have been in collaboration with organizations like the BEC and the Boulder Chamber of Commerce.

Approach:

All in all we have seen much success through our efforts and have worked to inform the community of the events and programs taking place. We will work hard to continue to do so.

Primary Contact: Mary Huron Hunter, Public Relations Manager

Other Projects

Economic Vitality Metrics

Staff is continuing efforts to construct a tangible set of metrics to evaluate economic conditions in the city of Boulder. It should be noted that trends will reflect external factors as well as EV efforts on behalf of the City. These metrics will be used to evaluate our general economic vitality efforts, serving as quarterly indicators for the program and the overall health of the Boulder economy. Staff has engaged in comprehensive research and empirical analysis of the following metrics in conjunction with the Leeds Business School Research Division at the University of Colorado and RRC associates. Below is a list of metrics that have been chosen, researched, and analyzed for the economic vitality metrics project:

1) Employment Statistics

- a) Number of jobs in the city, county, and state
- b) Average wage in the city, county, state, and country
 - i) Source: QCEW data (NAICS basis) from the Bureau of Labor Statistics
 - ii) Source: Leeds Business Research Department, RRC Associates
 - iii) Information is lagged two periods

2) Economic Activity (measured in tax revenues)

- a) Sales/Use tax revenues by sector
- b) Sales tax revenues
- c) Per capita sales tax revenues (quarterly)
- d) Business use tax revenues
- e) Construction use tax revenues
 - i) Source: City of Boulder Finance Department
- f) Business personal property tax assessed (yearly)
 - i) Source: Boulder County Assessor's Office

3) Business Activity

- a) Venture capital funding activity
 - i) Source: PriceWaterhouseCoopers – MoneyTree Survey
- b) Number of patents issued
 - i) Invented in Boulder and assigned to a Boulder firm
 - ii) Source: US Patent Office

- c) Number of building permits issued
 - i) Residential (detached, attached) and commercial
 - ii) Source: City of Boulder Planning and Development Services
 - d) Number of business licenses issued for selling in Boulder
 - i) Source: City of Boulder Finance Department
 - e) Commercial vacancy rates
- 4) Tourism and Visitor Activity
- a) Average hotel occupancy for Boulder, Denver, and Colorado
 - b) Average hotel room rate for Boulder, Denver, and Colorado
 - i) Source: Rocky Mountain Lodging Report
 - c) Lodging and restaurant tax receipts
 - i) Source: City of Boulder Finance Department

ATTACHMENT B

OVERVIEW OF BUSINESS ASSISTANCE STUDY

As a result of the recent years' economic trends of losses in sales tax revenues and an increasing number of businesses moving out of Boulder into neighboring cities, the city and the Boulder Economic Council asked two questions:

- Why are companies leaving Boulder for nearby alternatives?
- Why are companies that move to the region not choosing Boulder?

The decision was made to answer those questions by understanding what factors influence companies' decisions when locating or relocating and what nearby cities are doing to influence these decisions. Ray Wilson, a business consultant, was hired, with the scope of his work designed to:

- **Research and/or interview several companies that have left Boulder, recently located within Boulder, or are considering moving to Boulder** to better understand the factors influencing their decisions.
- **Identify what other regional cities are offering** in terms of support and incentives.
- **Identify and recommend steps Boulder can take** to strengthen its position as the leading choice to remain in or (re)locate to in the region.

Methodology

- **Companies** – Leaders at over 30 companies were interviewed or the company relocations were researched.
- **“Interested Parties”** – Additionally, more than 15 “interested parties” were also interviewed. These included members of the EVAB and others in the business, government and university communities.
- **Confidentiality** – Recognizing that some of the information requested may be considered strategically, operationally and/or competitively sensitive, confidentiality was extended to all participants during the interviews.
- **Researched public records** for nearby city incentive and support programs.

Summary Findings

- Boulder is the only local city not offering or considering some form of support or incentives to relocating companies.
- The perception is that the city of Boulder is not business friendly, and is often hostile.
- Boulder's planning, permitting, and regulation are viewed as highly inefficient and very costly (time more than money) obstacles to doing business in Boulder.
- Official attention and assistance by any city in consideration is an important factor in these companies' location decisions.

ATTACHMENT C

OWNER - OCCUPIED LOAN POOL BUSINESS INCENTIVE

Background

Over the last year, representatives from the BEC, city of Boulder and the Chamber of Commerce have met with dozens of local companies as part of our Client Care Program. Our goal has been to gauge the strengths and weaknesses of Boulder and respond to areas of concern. We all know that the net outflow of companies and jobs to surrounding communities is a real threat to the city's economic sustainability. Most commercial brokers agree that the ratio of companies moving out to nearby cities vs. those moving in is at least 5-1

One finding that became clear through this program (as well as other more informal contacts) was the importance of real estate ownership. Put simply, those companies who own their real estate are much less likely to leave than those who lease space. CEOs of these companies are committed to Boulder for the long term – both as corporate citizens and personally as active community members.

For example, both Celestial Seasonings and Carrier Access have indicated they would likely be gone today if not for their real estate holdings. Celestial is currently considering another expansion. On the other hand, Dean Foods did not hesitate to move their offices in pursuit of lower occupancy costs. As a tenant in Boulder nearing lease expiration, they did not seriously consider sites within the city.

We heard similar feedback from many smaller companies. It is these smaller entrepreneurial companies who offer the most exciting opportunities for Boulder's future. However, the small-company CEOs are often put off by the cost of Boulder real estate and the complexity of the decision process. As one pointed out, "I know my business, not real estate. I would need some serious help to tackle something like buying a building."

A Boulder Loan Pool

We are exploring the feasibility of new loan program that would be targeted toward owner-occupied buildings in the city of Boulder. The pool would be set up to partner with SBA 504 lenders such as Colorado Lending Source and Preferred Lending Partners. The 504 program lowers the down payment to 10 percent from 20-25 percent.

The proposed loan pool would provide an additional 5 percent to be used toward the down payment on buildings purchased in the city of Boulder. This results in a lowering of the cash equity investment by the business to 5 percent. On a \$1 million building or commercial condominium, the out-of-pocket investment would drop from \$100,000 on a standard 504 loan to \$50,000. For some small companies, this could be the "tipping point" that allows them to purchase a building.

The table below illustrates the impact of the proposed “Boulder Loan Pool” on the purchase of a modest commercial building in Boulder.

\$1 Million Building Purchase

Funding Sources	Conventional Loan	504 Loan	Proposed Program
Bank	\$750,000	\$500,000	\$500,000
504 Lender	N/A	\$400,000	\$400,000
Boulder Loan Pool	N/A	N/A	\$50,000
Owner Cash	\$250,000	\$100,000	\$50,000

Sources of Funds

The city of Boulder would invest up to \$300,000 in the pool. Colorado Enterprise Fund will consider an investment of up to \$200,000. We hope that local banks would consider participation in the Boulder Loan Pool.

Target Companies

The program will target small to medium companies who are currently in Boulder or considering moving to Boulder. Specifics on price parameters are undetermined but will likely fall in the \$500,000 to \$3 million range (\$25,000 to \$150,000 loans from the fund). Aside from a city of Boulder location, the standard 504 lending requirements will apply.

Management of the Loan Pool

The fund would be managed by Colorado Enterprise Fund (CEF), a nonprofit community development lender. We will draft a Memorandum of Understanding with CEF that sets out the mission and all parameters for the loan pool, including the geographic limit which is defined as the city of Boulder.

CEF is a 501-C3 organization which creates several advantages for banks who participate in the Boulder loan pool. These include:

- Investments in the pool meet the Community Reinvestment Act (CRA) investment test.
- Funds invested in the pool may be kept on the books of each bank as loan. They do not have to be written off.
- CEF can sell the loans on a secondary market to replenish the pool. This may eliminate the need for annual cash investments by the City and other funders.

CU Consulting Partnership

As mentioned above, many entrepreneurs and CEOs are intimidated by the prospect of real estate investment. To overcome this obstacle, we would develop a resource to assist small companies with the decision process. This would be a partnership with the Graduate Real Estate program at the Leeds School of Business. We would work with Byron Koste and Tom Thibodeau at CU to match companies with MBA students in the Real Estate Program who could provide free or low cost investment analysis and evaluate the lease vs. purchase decision.

As with the loan pool, this consulting program will be available only to companies within the city of Boulder.