



# **An Economic Agenda for Fort Collins, Colorado**

**Final, June 2010**



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## An Economic Agenda for Fort Collins, Colorado

*"Human prosperity does not abide long in one place."*

*- Herodotus, 5th century B.C.*

During a recent planning retreat, Fort Collins business leaders discussed at length the need for the community to renew its focus on job creation. The 'Great Recession of 2008-2009' has given renewed impetus to a belief that the Fort Collins community needs to refresh and elevate its economic development efforts to the next level.

In this brief, we

1) make the basic case for why communities need to be actively engaged in economic development activities

2) touch on some trends and questions about the Fort Collins economy, and

3) offer some recommendations for community leaders to consider.



*Economic restructuring and emerging regional competition are impacting Fort Collins' long-term economic vitality.*

## Executive Summary

Economic restructuring and emerging regional competition are impacting Fort Collins' long-term economic vitality. Economic stalwarts like high tech and education remain important but are undergoing changes that are not well understood. At the same time, new sectors are gaining strength such as clean energy, but they remain a relatively small part of the region's economy.

To understand what is happening to the local economy and to target scarce resources for the best economic return for the community, a comparative competitive assessment should be undertaken and followed with the development of a strategic community economic development plan.

Done correctly, they can be instrumental in developing the political consensus necessary for the community to secure its economic future.

None of this is to imply that Fort Collins has been idle regarding economic development. Quite the opposite is true.

The community is marketed through the Northern Colorado Economic Development Corporation, and, since 2005, the City of Fort

Collins has elevated its economic development efforts significantly.

Since then, the City has hired economic staff, dedicated funding towards economic development, developed an economic plan, conducted a targeted industry study, underwritten the establishment of the Northern Colorado Clean Energy Cluster, supported the Northern Colorado Bioscience Initiative, been the primary financial supporter of the Rocky Mountain Innovation Initiative and supported urban renewal among other things.

Overall, the actions of the past five years represent a solid foundation.

At the same time, however, some economic challenges have emerged. Sales and use tax collections are down, unemployment is up, the area has lost thousands of jobs, and state funding for the area's largest employer, Colorado State University, is eroding.

Such challenges and others are cause for concern and signal the need for the community to assess its competitiveness and to plan accordingly.

## The Chamber offers the following recommendations to create jobs and community wealth. They fall into four broad categories: Community Readiness, Educated People, Market the Community and Grow Our Own.

### Community Readiness for Jobs

- Undertake an objective assessment of our competitive positioning, so that local policy makers can make data-driven decisions about economic policy.
- Develop a new strategic economic plan for Fort Collins, so that limited community resources can be used to yield the best economic benefit.
- Using criteria important to business decision-makers, write a business case for Fort Collins, so that we broaden our message beyond just touting quality of life.
- Establish a mechanism to track and analyze economic and sector trend data, so that community leaders understand and have the information to act upon issues that will impact the community's economic vitality.
- Review City policies and procedures to identify barriers to job creation in the City's target industry clusters, so that obstacles that unnecessarily delay beneficial economic projects can be mitigated.
- Re-establish an ombudsman function for base employers in the City's target clusters, so that such employers have a single point of contact at the City.
- Eliminate the use tax on manufacturers, so that a perceived and actual obstacle to attracting and retaining high paying base jobs is removed.
- Maintain Fort Collins' relative competitive advantage of reliable, affordable power, so that electric rates do not become an obstacle to employers.
- Expand the CSU Energy & Engines Conversion Lab and develop the CSU technology park at I-25, so that the community can better develop the clean energy

The case for why the Fort Collins community should be engaged in economic development may not be obvious to some, so this brief very deliberately covers basic topics such as: what is economic development and why communities need to focus on it, the benefits of doing so, the downsides of economic decline, and what are high-paying base jobs.

The basic points of this brief are:

- Under normal circumstances, **community job losses are inevitable** due to 'creative destruction' meaning that communities must work hard just to keep up with the demand for jobs;
- There are **huge downsides** to economic decline;
- Retaining and attracting **high-paying base jobs** is the key to economic vitality;
- Communities **need to understand why** base employers choose locations;
- Economic development and **community development** are not the same thing and communities need both;
- The **benefits** of economic development are many-fold and the consequences of community economic decline are unacceptable;
- The Fort Collins **economy is changing** and community leaders need to understand how;
- The community **needs a consensus** on its economic strategy;
- Government has an **important role** in economic development, and
- Fort Collins needs to take its strategic economic development program **to the next level**.

*Fort Collins has benefited from wise and strategic decisions in the past that have made us one of America's best places to live. Retaining that distinction is not automatic.*

*It will require today's leaders to emulate the strategic foresight of past generations.*

*This brief is offered in the spirit of contributing to a deliberate and intentional conversation among community leaders about the community's economic vitality.*

cluster. Other opportunities in this regard include a master plan for development of the CSU Foothills Campus and further promotion of the Centre for Advanced Technology. Property owned by Anheuser-Busch InBev has great potential, but at this writing the company's plans for that land are unclear.

- Pre-entitle some sites, so that prospective base employers in the City's target clusters are not discouraged from considering Fort Collins due to unnecessary time in the City's processes.
- Improve the street system, so that non-resident retail customers are not discouraged from stopping in Fort Collins and businesses can efficiently move goods in and out of and around the community.

### **Educated People**

- Support properly funded, results-oriented, accountable schools, so that the emerging workforce is able to be gainfully employed and area businesses can attract the talent they need to succeed
- State leaders need to find a more reliable funding source for higher education

### **Market the Community**

- Review and update the target industry cluster study, so that limited community resources can be used to yield the best economic benefit for the community.
- Review the City's incentives program, so that reasonable opportunities to strengthen our appeal to companies in the City's target industries can be identified and considered.
- Establish a business development team to work with targeted businesses on relocation and strategic aspects of relocation, so that the community can effectively compete for companies in its target clusters.
- Strengthen the community's financing toolbox, so that financial barriers to expanding or attracting companies in the City's target industries can be minimized.
- Strengthen the business retention and expansion program, so that the community uses limited re-

sources effectively to retain high-paying base jobs in Fort Collins.

- Continue and improve marketing of key 'jobs' corridors (Mountain Vista area, Harmony Road, Mid-town and South College Avenue, Mason Corridor, North College corridor, I-25) and begin to promote other areas such as the Center for Advanced Technology and the River District, so that the community can leverage our existing infrastructure.
- Establish an international trade council or club, so that area companies can strengthen or develop new markets.
- Recapitalize the Northern Colorado Economic Development Corporation (NCEDC) to an appropriate level for a market of our size (~ \$750k to \$1 million per year), so that it is capable of more effectively carrying out its mission of retaining and attracting base employers.
- Create a strategic alignment of the region's two economic development organizations (Upstate and NCEDC), so that limited resources are deployed in the most effective manner to attract and retain base employers in Northern Colorado.

### **Grow Our Own**

- Conduct government and corporate procurement training and events for Fort Collins businesses, so that the community can minimize the leakage of dollars out of the local economy and maximize the opportunity of Fort Collins businesses to succeed.
- Study the 'best practices' of innovative communities to identify the key factors and specific programs that could be deployed to further enhance Fort Collins' innovative and entrepreneurial environment.
- Develop a 'capture strategy' for CSU commercialization to retain as many of these spinoff companies as possible, so that the community can take fuller advantage of its greatest economic asset.



## A Case for Strategic Economic Development

### Why Communities Need to Focus on Job Creation

Author Jim Collins says that “Good is the enemy of great.” He means that when things are going well, it is difficult to muster the energy, sense of urgency, resolve and resources to push to the next level of excellence. This is as true for communities as it is for individuals and organizations.

Fort Collins is a wonderful community from many perspectives. That includes having an economy that is relatively robust compared to most others. Consequently, it’s not always evident why the community should focus at all on economic development much less expand its current program. However, there are several reasons why Fort Collins and all communities need to constantly focus on a proactive economic strategy:

- **In the natural course of things, communities lose jobs.** Free enterprise is very dynamic with new industry sectors and jobs being created and other sectors and jobs becoming irrelevant

and disappearing. This ‘creative destruction’ element of capitalism is very powerful and has been accelerated by technology and globalization. As the fortunes of various sectors and companies wax and wane, physical, financial and talent assets are redeployed to meet new opportunities. An estimated 10 percent to 15 percent of jobs disappear annually<sup>1</sup> meaning that communities must work hard just to stay even economically.

- **The competition for base employers<sup>2</sup> is very intense and sophisticated.** Internationally, nationally and regionally, thousands of economic development entities are vying for a limited number of new or relocating high-paying base jobs annually. On the local level, the communities of Northern Colorado compete fiercely with each other to attract base employers and retailers. Fort Collins is feeling the effects of this competition.
- **One community’s base employers are another community’s prospects.** Communities

must build strong, positive relationships with their existing base employers or risk losing them and their attendant benefits to other communities.

***An estimated 10-15 percent of jobs disappear annually meaning that communities must work hard just to stay even economically.***

<sup>1</sup> “Getting the Best out of Creative Destruction,” by Stefano Scarpetta, The World Bank Group, March 2005.

<sup>2</sup> Base employer (also called primary employer) – a company that exports at least 50 percent of its goods and/or services outside of the region and ‘imports’ revenue into the region that underpin the economy.



## A Case for Strategic Economic Development

### Benefits of Economic Development

While jobs lead the list as the most obvious byproduct of economic development, there are many ways that economic development helps a community:

- **Job development.** Economic development can provide better wages, benefits and opportunities for advancement. And high-paying base jobs – jobs in companies that add-value to a product or service and ‘export’ it outside the local market – spawn the creation of secondary support jobs throughout the local economy from the money ‘imported’ back into the community.
- **Retain existing jobs.** The top priority of economic development is the retention of existing base employers. When the people owning and/or managing businesses feel appreciated by the community, they are more likely to stay when facility decisions are being made. The community benefits from the financial investment of these companies in many respects, especially the jobs they provide for area residents.
- **Increased tax base.** Additional inflowing revenue gen-

erated through economic development supports, maintains and improves local infrastructure, such as roads, parks, libraries and community centers.

- **Stable tax base.** Over-dependence on a few key companies or one industry sector makes a community susceptible to the economic vagaries attendant to that company or sector. Conversely, a diverse business base means more economic stability and resilience with less fluctuation of tax revenues.
- **Economic diversification.** A diversified economic base means stability by helping the community weather economic downturns, the loss of a single company or the contraction of an entire business sector.
- **Self-sufficiency.** A stronger, more diverse economic base means a higher level of community self-sufficiency to meet the needs of citizens. The more we produce locally the less we have to import from elsewhere.
- **Productive and appropriate use of land.** A property used for its “highest and best use” maximizes the value of that property and its benefit to the community.
- **Enhanced quality of life.** More income flowing into the

community means more local tax dollars for public amenities and jobs for residents.

- **Improved standard of living.** Good paying jobs mean an overall higher standard of living of the residents.
- **Community pride and reputation.** Having Anheuser-Busch, Hewlett-Packard, Intel, Odell Brewing, Woodward and other key employers in the community accrues a measure of status to the community. Inversely, losing such companies is a blow to the community’s self-esteem and external reputation.
- **Vibrant economies attract new businesses organically.** Jim Collins refers to the flywheel effect whereby hard-earned momentum creates new breakthroughs. In the case of local economies, thriving places can create their own momentum and do so without much direct influence or resources from the public sector.

***While jobs lead the list as the most obvious byproduct of economic development, there are many ways that economic development helps a community...***

## A Case for Strategic Economic Development

### The Downsides of Economic Decline

The alternative to economic growth is decline. Like the dynamic, living organisms they are, communities are either getting better or they are in decline. There is no such thing as long-term stasis for communities.<sup>1</sup>

Communities in decline are caught in a downward cycle that is hard to break and often difficult to detect until the latter stages. Significant research has been done on the factors that lead to community decline. One of them is loss of economic base due to competition from other communities.<sup>2</sup>

When the private sector loses faith in a community's future, it does not bode well for the community. High crime, public corruption, underperforming schools, high taxes and fees, anti-business actions and rhetoric by government officials, lack of appropriate planning, expensive and unreliable utilities and poorly maintained public infrastructure are among the reasons businesses decide to decamp from a community.

Loss of businesses means a loss of jobs and disposable income, which in turn means a declining tax base and diminished public services. Those public services can include under-funded schools and parks,

poorly maintained public infrastructure like streets, and under-staffed police and fire departments. Bad schools and crumbling infrastructure induce more companies to leave and hamper those that remain from attracting the talent they need to be successful over the long run.

In response, local government tries to compensate for the shrinking tax base by increasing taxes and fees, which makes the community even less attractive to base employers and the top talent those companies need. Eventually, because they have developed a bad reputation as a place to live and do business, declining communities are compelled to take extraordinary steps to attract companies in an attempt to arrest the downward cycle. And so it goes.

Occasionally, a community will undergo rapid decline, but often decline is more subtle. It's an accumulation of decisions that becomes evident over years, even decades. The aggregate impact of public policy decisions, how a community markets itself and industry changes usually takes time to manifest itself in the local economy.

Although it is not credible to suggest that Fort Collins is in economic decline, it is true that the community is feeling the impact of economic loss due to competition. Other

communities in Northern Colorado represent viable alternatives to investing in Fort Collins.

In short, projecting today's good circumstances into the future is an unwise strategy for any community because history is replete with examples of once thriving places that experienced a reversal of fortunes.

***Communities in decline are caught in a downward cycle that is hard to break and often difficult to detect until the latter stages.***

<sup>1</sup> Some will disagree with this and claim that it is theoretically possible. We are unaware of actual examples of vibrant, well-functioning communities that have remained unchanged over a long period of time.

<sup>2</sup> "Retooling for Growth," Rick McGahey, 2008.

# A Case for Strategic Economic Development

## What is Economic Development?

One way communities can enhance their chances for a viable future is through the intentional process of proactively creating a preferred economic future with economic development.

By definition, economic development is an organized effort on the part of a community to influence the private sector to make investments in the community that will provide incomes for local residents, profitable opportunities for people with an entrepreneurial bent to invest in a business and tax revenues for maintaining community infrastructure and services. It is a process of deliberate intervention in the dynamics of the local economy by making economic growth easier or more attractive.

Economic development involves the allocation of limited resources (labor, capital, land and entrepreneurship) in a way that has a positive effect on the level of business activity, employment, income distribution patterns and fiscal solvency. There are three broad components of economic development:

- **Business Retention and Expansion** - enhancing the success of existing businesses. Helping existing base employers be more competitive is the best strategy for most communities. It is a cost-effective approach to economic development. Improved profitability by existing employers can lead to

business expansion. Some strategies include establishing job training programs and identifying external markets for export. It's important for communities to keep in mind that a base employer in their area is considered a prospect by other communities.

- **Business Start-ups (sometimes called 'growing our own')** - encouraging the creation and growth of new businesses. Strategies associated with this objective strive to create new enterprises that serve local markets or those outside the community. The essence of entrepreneurship is the development of new products for manufacturing or the creation of innovative services not presently available.
- **Business Attraction** - attracting to the community expanding or relocating businesses. Recruiting businesses and industries that are looking to move or expand into new locations is an important part of an overall economic development program. Effectively recruiting base employers can help a community diversify its economic base, raise income levels for residents and fill voids.

Secondary strategies:

- **Capture More Local Dollars** - Many of the dollars that come into a community leave just as quickly, in lost retail sales outside the community (referred to as 'leakage'), taxes paid to higher governments and pur-

chases of services and supplies elsewhere. Retaining those dollars can enhance the community's overall wealth. Programs like the 'Shop Fort Collins' and 'Be Local' are aimed at that purpose. Programs that encourage institutions to purchase goods and services locally are another strategy for retaining money already in the local economy. Although of secondary economic benefit, these activities can augment the higher yielding strategies cited above that attract new money into the community.

- **Access Outside Sources of Income and Capital** - In addition to 'traditional' economic development, as outlined above, other sources of outside income for a community exist. One example is retirement income coming in the form of passive income and transfer payments. Another example is money coming into the community from the startup and growth of a firm that creates an equity event upon its sale.

***Economic development is a concerted effort on the part of a community to influence the private sector to make investments in the community that will provide incomes for local residents... and tax revenues for maintaining community infrastructure and services.***

# A Case for Strategic Economic Development

## Community Development vs Economic Development

Nearly every community in America sells a 'great quality of life.' Some civic leaders contend that all their community needs to do is focus on being a great place (community development) and the economic part will simply take care of itself.

On the contrary, for a community to be economically viable, it must make a concerted effort to work on both community development and economic development. They are interdependent and reinforce each other.

It is important to recognize that economic development and community development are not the same. Community development is a process for making a community a better place to live and work.

Economic development is purely and simply the creation of wealth from which many community benefits are created. The flowchart on Page 32 illustrates the dynamic between community and economic development in a community.

Some will argue that community development is enough to create a vibrant economy. While important to that end,

community development does not factor in important business fundamentals necessary for the successful, sustained operation of businesses.

Communities still must make the basic business case to desirable prospective employers.

The table below gives a summary overview of the difference between community development and economic development.

<b>Community Development</b>	<ul style="list-style-type: none"><li>• Process of making the community a better place to live and work (quality of life)</li><li>• Occurs primarily in the public sector</li></ul>
<b>Economic Development</b>	<ul style="list-style-type: none"><li>• Process for creating wealth, from which many community benefits are created secondarily</li><li>• Occurs in private sector</li></ul>

# A Case for Strategic Economic Development

## Why Focus on High-Paying Base Jobs

The way communities create economic opportunity and wealth generation<sup>1</sup> is by focusing on the creation of base jobs (sometimes called 'primary jobs').

On average, base jobs pay wages that are significantly higher than non-base jobs. In Larimer County, average earnings per worker at a base employer is \$55,628 compared to \$31,608 for the average non-base job.<sup>2</sup>

Base jobs are defined as jobs which produce goods and services in excess of what can be consumed by the local market. Those goods not consumed by the local market are exported to other markets in exchange for money, or 'export' income. Said another way, a base employer sells a product outside the Fort Collins area, money is returned to Fort Collins for those products, and that in turn creates a flow of new wealth into the community in the form of payrolls and secondary benefits. The secondary benefits include the creation of 'indirect' or 'spin-off' jobs and tax revenue to local governments. Generally, the secondary jobs include retail services, suppliers, lawyers, doctors and non-profit employment. These occupations provide services to base employers and their employees.

A term used to measure the benefits of any given economic activity is 'multiplier.' There are various types of multipliers such as output, employment, income and value-added. They summa-

rize the total impact that can be expected from an economic activity. Employment multipliers for base employers are significantly higher than those for non-base employers.

An employment multiplier is derived from a series of economic calculations that estimates the number of jobs required to meet the needs of one high-paying base job. The larger the multiplier, the greater the economic impact of the high-paying base job. Two things determine the size of the multiplier: the average wage paid to the employee and the amount and cost of "inputs" required for the base employee to accomplish his or her work.<sup>3</sup>

A 'typical' employment multiplier might be in the 1.2 to 3 range. That means a high-paying base job supports an additional 0.2 to 2.0 jobs in the community. These jobs may either be through the employer's supply chain, or the purchases of employees themselves.<sup>4</sup>

Retail employment, with generally lower wages, has low multipliers (.3 to .6)<sup>5</sup>. Therefore, while important to finance local government through sales tax collections, the retail sector typically is not an economic driver. Higher paying base jobs are important to a community because they put disposable income into the pockets of residents, which in turn creates a healthy retail sector and revenue to local government.

In Fort Collins, this sets up a potential conflict in the city government's economic program. Since city government gets most of its revenue from sales tax, there is short-term pressure to focus on

retail development rather than growing base employment.

In summary, base jobs = community wealth = better quality of life / standard of living. Or, said in the negative sense, loss of high paying base jobs = declining disposable income = diminished aggregate community wealth = diminished quality of life / standard of living.

<sup>1</sup> The term 'wealth generation' means undertaking activities that create something of value for which the provider earns a positive financial return. Manufacturers do so by taking raw materials and through the design and production processes, convert them into products of value to end users. Local examples would be beer manufacturers like New Belgium and Odell's. In a community context, when such private sector wealth creation is undertaken, it enriches those in the community directly involved in the process of adding value (company owners, management and employees), investors and those servicing these wealth creating companies like school districts, local government and secondary service businesses. In an economic sense, wealth generation through this value-added process is very positive. In a political context, however, some deride wealth creation as exploitive and focus on advocating government policies of wealth redistribution rather than letting markets do so. It is worth noting because this perspective sometimes becomes a factor in community conversations in Fort Collins about economic development. Terms like 'economic justice' and 'social justice' are invoked to denigrate free enterprise while advocating for government redistribution. Yet, without the 'wealth' created through free enterprise, there would be no money to be redistributed.

<sup>2</sup> "Primary Employment Trends in Larimer County," Dr. Martin Shields, Regional Economist, Colorado State University, May 2010.

<sup>3</sup> "Economic Multipliers: How Communities Can Use Them for Planning," Wayne P. Miller, University of Arkansas.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

## A Case for Strategic Economic Development

### Why Base Employers Choose One Location Over Another

A community is not judged by potential employers solely by where it is today economically. Companies also consider where the community is going. Is it taking care of existing companies? Is local government efficient, professional, consistent and graft-free? Is the community investing in education and basic infrastructure?

The environment to attract good paying jobs has been increasingly competitive over the years and has been exacerbated by the Great Recession of 2008-2009. The number of domestic facility sitings was down 53% from 2008 to 2009. Only 4 percent of those came to mountain states (CO, ID, MT, UT, WY). And the companies that were planning to expand had smaller projects. Recent concerns cited by corporate decision makers include rising energy costs, intensifying global competition and compressed time to market.<sup>1</sup>

There are many others factors upon which company owners and executives base their site and facility planning decisions. The following table ranks those factors. It is from the 24th Annual Corporate Survey conducted in 2009 by Area

Development Magazine.

Respondents were asked to rate the factors as Very Important, Important, Minor Consideration or Of No Importance. Thirty-five factors were rated, then categorized as 'Site Selection Factors' or 'Quality of Life Factors.'

According to this survey, cost of doing business in a particular community or region is still the most important factor to companies looking to site a facility. In fact, seven of the top-10 ranked site selection factors are directly or closely related to cost of doing business in a community, including:

- labor costs
- tax exemptions
- energy availability and costs
- availability of skilled labor
- occupancy or construction costs
- state and local incentives
- in-bound, out-bound shipping costs

The advantage goes to communities that can make the business case.

As noted elsewhere in this brief, all communities, including Fort Collins, tout their great quality of life. Yet, quality of life factors didn't make it into the top 10 factors important to

the people actually making decisions about where to locate their business operations. The top ranked quality of life factor is 'low crime rate' at 11th overall with recreation (presumably including such things as biking, outdoor recreation, open space, etc) ranking 29th overall.

This is not to say that quality of life is unimportant. Those of us already in the community highly value our outstanding quality of life. The point is that we overvalue it as the economic development strategy for our community.

***Cost of doing business in a particular community or region is still the most important factor to companies looking to site a facility.***

<sup>1</sup> 24th Annual Corporate Survey, Area Development Magazine.

# A Case for Strategic Economic Development

24 <sup>th</sup> Annual Corporate Survey, Area Development Magazine		
Figure 26	Combined Ratings of 2009 Factors	Corporate Survey 2009
<b>SITE SELECTION FACTORS</b>		
<b>SITE SELECTION RANKING</b>	<b>OVERALL RANK</b>	<b>2009</b>
1. Labor costs	1	96.7
2. Highway accessibility	2	92.9
3. Tax exemptions	3	88.4
4. Energy availability and costs	4	88.0
5. Corporate tax rate	5	87.0
6. Availability of skilled labor	6	86.9
7. Occupancy or construction costs	7	86.7
8. State and local incentives	8	84.9
9. Availability of advanced ICT services	9	83.2
10. Inbound/outbound shipping costs	10	81.7
11. Low union profile	12	75.8
12. Available land	13	75.7
12. Availability of buildings	13	75.7
14. Right-to-work state	15	74.0
15. Proximity to major markets	16	73.3
16. Expedited or 'fast track' permitting	17	72.2
17. Environmental regulations	18	71.2
18. Availability of long-term financing	20	65.4
19. Proximity to suppliers	21	63.9
20. Training programs	23	61.7
21. Raw materials availability	26	57.0
22. Availability of unskilled labor	27	55.5
23. Accessibility to major airport	31	49.0
24. Proximity to technical university	33	36.7
25. Railroad service	34	27.4
26. Waterway or oceanport accessibility	35	17.7
<b>QUALITY-OF-LIFE FACTORS</b>		
<b>Q OF L RANKING</b>	<b>OVERALL RANK</b>	<b>2009</b>
1. Low crime rate	11	79.0
2. Healthcare facilities	19	68.4
3. Housing facilities	22	62.4
4. Housing costs	24	61.5
5. Ratings of public schools	25	61.4
6. Climate	28	55.0
7. Recreational opportunities	29	52.7
8. Colleges and universities in the area	30	50.7
9. Cultural opportunities	32	46.0
All figures are percentages and are the total of 'very important' and 'important' ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.		

## A Case for Strategic Economic Development

### Government's Role in Economic Development

By using its resources and powers to reduce the risks, uncertainty and costs which could prohibit investment, the public sector can set the stage for employment-generating investment by the private sector. Government can support a variety of initiatives that encourage private sector investments that benefit the community, including:

- Adopt policies and programs to provide services and infrastructure that benefit businesses such as a street system that provides mobility, water systems and police and fire protection. Infrastructure represents those types of community capital investments that serve many industries including streets, communication networks, schools, water and energy supplies – that all support base employers by increasing the productivity of labor and capital thereby reducing the costs of production and raising profitability, production, income and employment.<sup>1</sup>
- Prepare the labor force. This includes primary and secondary education, higher education and post-secondary training pro-

grams.

- Adopt policies and programs explicitly directed at improving the business climate through business finance, marketing, business retention and expansion, commercialization of university research, real estate development and others. Selective and targeted industry investments offered by local government can provide the community an opportunity to reward job development within specific categories while offering greater accountability of performance when correctly designed.<sup>2</sup>
- Support economic development marketing efforts.
- Allow market forces to function without undue influence.

Economic development public policy matters because it impacts the quality of the community, the standard of living of residents and taxpayers' pocketbooks. Good-paying jobs is a top issue for most state legislatures and city councils because of voters' tendency to evaluate public officials by how well their state or local economy is faring. If jobs are being generated, incomes are growing, and high profile companies are being attracted or retained, the public views politicians favorably.<sup>3</sup> Obviously, this is not completely fair because many fac-

tors are beyond the control of politicians. However, it evens out because in addition to receiving undeserved blame they sometimes get credit for fortuitous economic development that happens outside their direct control.

Economic development activities and outcomes are also shaped by public policies that influence the environment for investment and commerce. Called "business climate," this term refers to the extent to which the political and policy environments of a particular state or locality, compared with other jurisdictions, are seen to be supportive or burdensome to businesses. The implication is that any area whose business climate is not "competitive" will be shunned by the corporate sector and will find it difficult to attract or grow new firms and the jobs they provide.<sup>4</sup>

The business climate is affected by both major cost factors (e.g., land, labor, taxes, regulations) and non-cost factors (e.g., quality of life, attitudes toward business). Government has a significant impact on business climate, for it is that combination of services provided by the public sector, such as education, infrastructure, taxation, and regulation, which creates the context within which companies operate. Moreover, government delivers other direct services to companies.<sup>5</sup>



## A Case for Strategic Economic Development

Public rhetoric by government officials also impacts business climate in a couple of important ways. First, public officials can help influence the public's perception of business in general and support of economic development by how they talk at meetings and in the press. Second, those public statements influence business decisions. As noted above, communities that are deemed to have a bad business climate are shunned.

The use of incentives to induce business relocations is another role governments play. Economic development incentives are a deliberate set of policies designed to make a location more attractive to base employers. The use and misuse of incentives has a long history in America. Properly used they can help communities compete for base employers that fit the community's resources and values and can have a long-term positive economic impact. Often the term is used as a pejorative by people on both extremes of the political spectrum. Some conservatives see incentives as inappropriate manipulation of market forces, while some liberals attack incentives as 'corporate welfare' that takes scarce public resources away from social needs.

Like most issues, the truth lies somewhere in between. The careful, thoughtful, strategic

use of incentives can advance the objectives of a community.

For its part, Fort Collins has not been inclined to provide many incentives, nor has the State of Colorado, at least not at the level of many communities and states. The basic philosophy of both is to cite the locational attractions of Colorado and the Fort Collins region as incentive enough. This mindset prevents thoughtful conversation and intelligent examination of incentives as a tool for accomplishing desirable state and community economic objectives.

Fort Collins has information on its website that indicates it offers 'incentives.' There are a handful of incentives targeted for base employers, the rest of the items cited are financial and energy efficiency 'incentives.' In comparison, Loveland annually budgets money that goes into a fund used to waive some development fees, which gives it an advantage when competing for some projects. To our knowledge, a comparative study of Fort Collins' incentive program versus other area communities or competitors has not been done. It may be useful to do so, if public officials are interested in a data-driven approach to economic development. Targeted industry investments could provide the community an opportunity to encourage job development within specific categories while

offering greater accountability of performance when correctly designed.

One way the City of Fort Collins supports business development is through the funding of various associations such as Be Local, the Northern Colorado Bioscience Initiative, the Northern Colorado Clean Energy Cluster, the Northern Colorado Economic Development Corporation and the Rocky Mountain Innovation Initiative.

***Economic development incentives are a deliberate set of policies designed to make a location more attractive to base employers***

<sup>1</sup> California Association for Local Economic Development.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> "ED Reference Guide," International Economic Development Corporation.

<sup>5</sup> Ibid.

## A Case for Strategic Economic Development

### Fort Collins' Economy is Changing

In 2010 it would seem absurd to imply that Fort Collins is a community in decline. In relative terms, it is doing well economically compared to some communities in the region and against national norms.

Additionally, there is a long list of external recognitions the community has earned that is a testament to the wise decisions of the past.

However, the quote at the beginning of this document by Herodotus that "Human prosperity does not abide long in one place" is a good insight and warning to not rest on our laurels. The key to remaining an attractive, livable community is to not become blinded by our successes to the point of complacency. Today's actions or inaction can impact the community for decades into the future.

How is Fort Collins faring? Community economic vitality can be measured in a myriad of ways. Here are a few noteworthy economic measures and recent trends to ponder:

- **Sales tax collections** – Fort Collins sales tax revenues have increased by \$8.6 million since 2000 (16 per cent). However, sales tax collections were basically flat in 2006, 2007 and 2008 (\$63.4M, \$64.4M,

and \$64.7M, respectively) before declining slightly in 2009 (\$62.2M).

- **Use tax collections** – Fort Collins use tax revenues experienced a sharp decline in 2009: down by \$2.5M to \$8.6M (a decline of over 20 per cent). According to the City, "The use tax is a complement to the sales tax. Use tax is remitted to the City by the person storing, using, distributing or consuming the tangible personal property or taxable service within the City of Fort Collins. You must remit a use tax when a Colorado municipal sales tax of 3.0% has not been paid. The use tax<sup>1</sup> is intended to equalize competition between vendors located in the City who collect Fort Collins sales tax and those located outside the City who do not charge Fort Collins sales tax. It is an incentive to make local purchases."
- **Combined sales and use tax collections** – Fort Collins sales and use tax revenues have increased from \$65.2M in 2000 to \$70.8M in 2009, an increase of 8.6 percent. But, it's important to note that combined revenue peaked at \$77.6M in 2007. Combined sales and use tax revenues have declined by 8.8 percent since then.
- **Retail trade area** – To some degree, the sales tax numbers cited above are a reflection of two things: past policy decisions by local governments and emerging competition. Relative to the first, Fort Collins was not aggressive in the early part of the 2000's at economic development and did not protect key land along the interstate. At the same time, other communities were elevating their economic development activities and their retail markets were beginning to develop. Consequently, Fort Collins' unusually strong position as the center of retail trade in Northern Colorado and Southern Wyoming has weakened somewhat. In 2000, 40 percent of retail sales in Fort Collins were to non-residents; today it is 24 percent.
- **Base employment** – From the Third Quarter 2008 through Third Quarter 2009, Larimer County lost a net 6,159 jobs.<sup>2</sup> Of those, 1,475 were base jobs. It is estimated that it will take three years to recover the lost jobs and related income.<sup>3</sup>
- **High tech ranking** – Fort Collins has slipped in the ranking of high tech metropolitan areas in North America from 71st in 2003 to 87th in 2007.<sup>4</sup> An issue

## A Case for Strategic Economic Development

for Fort Collins leaders to keep in mind is that high tech firms, due to a variety of factors, are under pressure to contain their costs. For the major high tech firms that have operations in Fort Collins but are not based here, costs, not community loyalty, are an important factor.

- **State budget impact on higher education** – Voter approval of Referendum C in 2005 gave universities and colleges in Colorado a temporary reprieve, as did federal stimulus money in 2009. However, the long-term picture for funding of higher education is uncertain. In the even longer view is the question of how higher education will be delivered and what that means to college towns like Fort Collins. Another issue related to CSU that can impact Fort Collins is the competition for top research talent. An economic strategy of some states is to recruit top research talent to their universities. Top researchers bring grant money, prestige and patentable discoveries that accrue benefits to their sponsoring states and universities.
- **Real median hourly wages** – Worldwide, a billion people have been lifted out of poverty since 1990<sup>5</sup> and many of them are now

competing with Americans. One consequence is that real median hourly wages have declined in recent years in the U.S.<sup>6</sup>

- **Under-employment** – The Fort Collins/Loveland Metropolitan Statistical Area (MSA) ranks tenth out of 366 metros in surplus of highly skilled workers rela-

tive to demand.<sup>7</sup> This is not unusual for a college town and can be a positive in terms of marketing to primary employers that need high-skilled workers. However, as it now stands, a large portion of Fort Collins residents are employed below their capabilities.

***The key to remaining an attractive, livable community is to not become blinded by our successes to the point of complacency.***

<sup>1</sup> Examples of items subject to use tax include: office supplies, magazine subscriptions, furniture and fixtures, books, tools and equipment, brochures, leased and rented items, cash registers, cleaning and janitorial supplies, paper products, non-customized software programs, advertising items, computers and calculators and signs.

<sup>2</sup> "Primary Employment Trends in Larimer County," Dr. Martin Shields, Regional Economist, Colorado State University, May 2010.

<sup>3</sup> Source: "Income Lost in Larimer County Due to Job Losses," Northern Colorado Economic Development Corporation.

<sup>4</sup> "Executive Summary - North America's High-Tech Economy: The Geography of Knowledge-Based Industries," Ross C. DeVol, Kevin Klowden, Armen Bedroussian, and Benjamin Yeo, Milken Institute, June 2, 2009.

<sup>5</sup> "Basically an Optimist – Still," by Peter Robinson, Wall Street Journal, March 27, 2010.

<sup>6</sup> "Regional Economic Development in Theory and Practice," by Richard M. McGahey.

<sup>7</sup> "U.S. Metropolitan Areas Ranked by Under-employment," Chmura Economics & Analytics, June 2010

## A Case for Strategic Economic Development

### Fort Collins Must Decide What it Wants to Become

Fort Collins is living off the investments and successes of the past. The community made decisions in previous years and decades that make Fort Collins the community it is today. A few selective examples would include: attracting Woodward Governor (1955), the founding of Aqua-Tec which manufactured the WaterPik (1962), the establishment of the Platte River Power Authority (1973), undertaking a series of community capital improvement projects funded by voter-approved taxes beginning in the 1970s, attracting Hewlett-Packard (1976), restoring Old Town (1984), and attracting Anheuser-Busch (1987).

To a large degree, many of the public amenities (community development) that are enjoyed by Fort Collins residents today have been bankrolled by the economic advances like those just cited.

The community prosperity of the past 30 years allowed significant community development to take place: parks, trails, open space, bike lanes, libraries, performing arts venues and more. Ironically, the creation of these community amenities have mistakenly led some to conclude our eco-

omic prosperity is due to these quality of life amenities rather than the amenities being the result of a prosperous economy.

This view resulted in the community adopting an unbalanced economic approach with significant attention and money being invested in community development and very little being devoted to attracting income into the community. Basic economic development practices needed to create tomorrow's community wealth were ignored.

By 2003 it became apparent to City leaders that the economic situation was changing. A leveling off of City revenues, the loss of high-paying base jobs and a push from the business community finally reignited city government's engagement in economic development. In recent years, the city government has done a great deal to focus on the economy.<sup>1</sup>

Still, old habits are hard to break. A recent example is the absence of the economy as a major focus of the Plan Fort Collins update process. Plan Fort Collins is the comprehensive plan that will drive public policy decisions for decades. Yet, until pointed out by the business community, there was very little attention being given to the economy. Exclusion of the economy from this long-term comprehensive community planning process

was jolting. It seemed to indicate that City leaders have digressed to the old ways of thinking and do not understand the highly competitive economic environment that Fort Collins faces.

During the Plan Fort Collins update process and through

***Though economic and political necessity have gotten elected officials and city staff constructively engaged in economic development, old habits are hard to break. A recent example is the absence of the economy as a major focus of the Plan Fort Collins update ...until pointed out by the business community...***

other means, it is imperative that the community take stock of its current competitive situation and develop a community consensus on its economic future.

Although the City developed an economic plan, its strategic goals and assumptions are not current. Nor is there an ongoing, broad-based effort to iden-

## A Case for Strategic Economic Development

tify and interpret key demographic, business sector and economic trends that could benefit or harm the community.

This is not to diminish the fact that good work is underway. For example, CSU regional economist Dr. Martin Shields is working with the City to track and analyze some trend data relative to the City's targeted industry clusters. Also, there is work going on around clean energy and the biosciences, redevelopment plans are being worked on for various parts of the community and CSU has reorganized and reenergized its technology transfer and commercialization program. But, there is no community and political consensus on a detailed and compelling vision and plan for the community's economic future.

The community needs to decide whether it has a base employer-focused strategy or a retail development strategy. They are not the same thing in terms of their inputs and policy decisions. And, the community needs to decide whether to pursue a place-based development strategy or to focus on a people-based strategy (i.e. investing in people). Until political consensus is reached, such important and fundamental issues will impede the development and implementation of a coherent and properly financed economic development strategy.

The ability to forge a political consensus will be critical before the community can commit to a plan capable of addressing the speed of economic changes that are underway, which place a premium on collaboration.

Living on money earned through past successes and

reading glowing headlines about our wonderful community is not a sustainable, long-term economic strategy. The community must still make the business case to prospective business investors.

***It is imperative that the community take stock of its current competitive situation and develop a community consensus on its economic future.***

<sup>1</sup> A partial list is included in the supplemental material at the end of this document.



## An Economic Agenda for Fort Collins, Colorado

The economic initiatives in Fort Collins over the past five years or so have been positive and form a good foundation upon which to build. Economic competition in the region, nationally and internationally make it imperative that the Fort Collins community has a clear vision, a political consensus and strategic economic plan. To that end, here are some observations and recommendations. They are grouped into four categories: Community Readiness, Educated People, Market the Community and Grow Our Own.

### Community Readiness for Jobs

To those of us already living in the Fort Collins, it's our home. As such, we love it warts and all and can't imagine that anyone could feel otherwise. We are incapable of looking at our beloved community with an objective eye. However, people considering a business investment in the community do examine us from an impartial perspective. To be successful economically speaking, we need to step outside ourselves to see Fort Collins through their eyes. Following are recommendations to do that and to address other issues that will prepare the community for economic success.

- **Undertake an objective assessment of our competitive positioning, so that local policy makers can make data-driven decisions about economic policy.** A good economic development program begins with an analysis of local resources, both human and material. This has not happened in Fort Collins for some time. Consequently, the community is facing significant economic change without a full understanding of its assets and deficiencies, a clear picture of its preferred future or a community consensus on a strategic economic plan. As part of the strategic economic plan, the community needs to undergo a comparative competitive study to develop a data-driven understanding of where Fort Collins has competitive advantages and disadvantages. External validation by various publications is nice. However, magazine editors are not making facility siting and expansion decisions for companies. Understanding the criteria companies and site locators use for decisions regarding site locations and how Fort Collins measures up against those criteria is a more useful and data-driven approach for developing a community economic strategy. One example of this type of assessment tool is LEAP, which is short for Local Economic Assessment Package.

## An Economic Agenda for Fort Collins, Colorado

- **Develop a new strategic economic plan for Fort Collins, so that limited community resources can be used to yield the best economic benefit.** In light of macro-changes, it is extremely important that all communities know their economic function in the global economy. To make sound decisions for the future of Fort Collins, leaders need to have a sharp understanding of our regional economy, how our key industry sectors fit into the global economy and what it takes for them to compete successfully. To mitigate the negative impacts and leverage our strengths, the community needs a sound economic plan that is reviewed frequently. Such a plan would identify both uncontrollable and controllable economic forces and let us concentrate on those issues we can influence. The current plan has served the community well over the past several years but is dated and needs to be updated with a fuller examination of demographic, industry sector and economic trends that will impact Fort Collins.
- **Using criteria important to business decision-makers, write a business case for Fort Collins, so that we broaden our message beyond just touting quality of life.** The community now relies almost exclusively on 'quality of life' to make its case to prospective base employers. This exercise would be beneficial to broaden our thinking about other factors that matter in such siting decisions. The product would be the basis of sales tools and messages.
- **Establish a mechanism to track and analyze economic and sector trend data, so that community leaders understand and have the information to act upon issues that will impact the community's economic vitality.** No one person or group 'owns' the responsibility of tracking key existing industry sectors or major employers in those sectors to identify and interpret trends or developments. The benefit of doing so would be twofold: spot opportunities to secure expansions or relocations; identify issues that may lead to job losses. Some data is being collected by the City, the CSU regional economist, NCEDC and the Chamber, but it is being done on an as-needed basis and is more tactical than strategic.
- **Review City policies and procedures to identify barriers to job creation in the City's targeted industry clusters, so that obstacles that unnecessarily delay beneficial economic projects can be mitigated.** The City of Fort Collins commissioned a study of its development review process in 2003. Known as 'the Zucker Report,' the study identified 54 recommendations to improve and professionalize the process. Many of the recommendations have been implemented. Because time to get a decision is important for base employers, it can be a competitive advantage or disadvantage for communities. Consequently, it's important to constantly improve the development process and other policies and procedures within the City that work against its own economic objectives. The City mentions having a fast-track development review and permitting process for base employers. It should be reviewed to test it against the standards of site locators and competing communities, and not just against how we've improved against our past performance. To be competitive, time in process should be reduced from the current six to eight months. The time could probably be cut in half without negatively impacting the community's standards of good governance.
- **Re-establish an ombudsman function for base employers in the City's target clusters, so that such employers have a single point of contact at the City.** The term 're-establish' is not exactly correct in that the City has not officially had such a position in the past. Unofficially, however, City Chief Financial Officer Mike Freeman did operate in this manner when he was first

## An Economic Agenda for Fort Collins, Colorado

hired as economic coordinator. Companies are not experts on city government processes. If the City wants firms to invest in the community, it's in its enlightened self-interest to make it relatively easy for them to do so.

- **Eliminate the use tax on manufacturers, so that a perceived and actual obstacle to attracting and retaining high paying base jobs is removed.** Although retailers do not ask about the community's sales tax rate when considering locating in a community, manufacturers do ask about the use tax. In Colorado, businesses already carry a disproportionate share of the tax burden because of how the Gallagher Amendment treats commercial and industrial properties. Then, by taxing the purchase of capital equipment used for production, Colorado and Fort Collins work against their own competitive interests. To its credit, the City of Fort Collins does have a manufacturer's use tax rebate program. Seven to eleven companies seek rebates annually.
- **Maintain Fort Collins' relative competitive advantage of reliable, affordable power, so that electric rates do not become an obstacle to base employers.** Through the Platte River Power Authority, the City of Fort Collins is able to provide affordable and reliable power to residents and businesses. The City should be very careful to maintain this situation with minimally invasive policies that do not harm ratepayers or impair the economy. Utilities should not be politicized.
- **Expand the CSU Energy & Engines Conversion Lab and develop the CSU technology park at I-25, so that the community can better develop the clean energy cluster.** The community has earned a reputation as a center for clean and renewable energy research. To take full advantage of that reputation and related commercialization of research from CSU requires having the physical space to incubate startups and accommodate growing companies. Colorado State University gives Fort Collins a tremendous economic asset and advantage. To make best use of this advantage, the City of Fort Collins must have a partnership mentality toward site development. City leaders have said that 'growing our own' is a key economic strategy. An important element of implementing that strategy is the availability of suitable business parks, land and buildings. Other opportunities in this regard include a master plan for development of the CSU Foothills Campus and further promotion of the Centre for Advanced Technology. Property owned by Anheuser-Busch InBev has great potential but at this writing the company's plans for that land are unclear. It's important to note that the City has already been a significant partner in enhancing availability of suitable business parks, land and buildings through its direct support of the Rocky Mountain Innovation Initiative facility, a land swap with CSU that made the I-25 and Prospect site available and by allowing CSU to use the old power plant on North College for the Engines and Energy Conversion Lab.
- **Pre-entitle some sites, so that prospective base employers in the City's target clusters are not discouraged from considering Fort Collins due to unnecessary time in the City's processes.** Related to the above point about suitable business parks, land and buildings is the strategy of expediting the process for companies in the City's target clusters by securing pre-approvals for some sites. In effect, the preliminary approvals are established as a means of removing a time barrier for desirable companies.
- **Improve the street system, so that non-resident retail customers are not discouraged from stopping in Fort Collins and businesses can efficiently move goods in and out of the com-**



# An Economic Agenda for Fort Collins, Colorado

**munity.** The street system and interstate interchanges are the backbone of the community's multi-modal transportation system and are critically important to the local economy. Actual and perceived travel time and ease of mobility matter, especially when viable shopping options exist in nearby communities with easy access. As the City's revenues have become more constrained, it has less money for maintaining its existing system much less improving it. Dedicated funding for the transportation system should be secured. This could include a dedicated sales tax, renewing (and even increasing) the pavement management tax when the current one expires and renewing the capital improvement sales tax.

## Educated People

With each passing year, brainpower increases in economic importance. Fort Collins is well positioned in this regard with one of the nation's highest education attainment levels. The community has strong public schools and institutions of higher education, which need appropriate levels of financial resources to remain effective.

- **Support properly funded, results-oriented, accountable schools, so that the emerging workforce is able to be gainfully employed and area businesses can attract the talent they need to succeed.** The public education system in Fort Collins is very strong, but the school district is coping with significant funding challenges due largely to issues relative to state funding. Any reasonable funding request by the district should receive strong consideration by voters, if district administrators can demonstrate that they are using current resources efficiently and effectively.
- **State leaders need to find a more reliable funding source for higher education.** Economically, Fort Collins is more than just Colorado State University. However, CSU is very important to the community's economic vitality. Eleven percent of Fort Collins' household income - \$253 million annually – is generated by CSU employees. Annual student spending in Fort Collins is estimated to be \$168 million. The combined payrolls of CSU, University of Northern Colorado, Front Range Community College and Aims Community College is an estimated \$400 million. Other direct and indirect impacts can be added to the list, but the point is made: higher education institutions are important to Northern Colorado and Colorado State University and Front Range Community College are very important to the economic health of Fort Collins. As such, Fort Collins has a rooting interest in stable funding of higher education. Local leaders need to work closely with CSU and state legislators to find solutions to ongoing funding problems.

## Market the Community

Being ready for economic development is not enough. The community also needs to effectively tell its story.

- **Review and update the City's targeted industry cluster study, so that limited community resources can be used to yield the best economic benefit for the community.** The City of Fort Collins commissioned a cluster industry study in 2006. That study needs to be retested to validate the clusters and update them as appropriate. Identifying and planning to develop key clusters helps policy-makers, economic development marketers and city staff to use limited re-

## An Economic Agenda for Fort Collins, Colorado

sources well. Coordination with the CSU Super-Clusters, NCEDC clusters and Colorado clusters is advisable.

- **Review the City's incentives program, so that reasonable opportunities to strengthen our appeal to companies in the City's target industries can be identified and considered.** A thoughtful, data-driven review of the community's target clusters incentives program has not been done in a very long time, if ever. The City should consider establishing an economic development investment fund. Such a fund would provide an effective tool for rewarding private investment in the community by mitigating certain financial barriers. Reserved for the City's identified targeted industry clusters, the fund would set in place measurable and mutually beneficial benchmarks with a high standard of accountability for all parties. The fund could be used to reduce or eliminate development fees for base employers in the City's target clusters.
- **Establish a business development team to work with targeted businesses on relocation and strategic aspects of relocation, so that the community can effectively compete for companies in its target clusters.** A gap exists in how Fort Collins is now being marketed. Until January 2001, the Fort Collins Area Chamber of Commerce led marketing through a subsidiary group called Fort Collins, Inc. At that time, business leaders in Fort Collins and Loveland decided to merge Fort Collins, Inc with its Loveland counterpart to create a new organization called the Northern Colorado Economic Development Corporation (NCEDC). NCEDC is responsible for marketing all of Larimer County not just Fort Collins. When the City of Fort Collins established an economic program in 2005, it wisely decided not to duplicate the external marketing work of NCEDC. Instead, the City provides some financial resources to NCEDC and has a representative on its governing board. Generally, this is an appropriate approach because it minimizes confusion with prospective base employers that can be discouraged by multiple, contradictory and competing pitches from the same region. However, this approach means that Fort Collins does not have a mechanism in place to advocate for its proprietary interests when prospects have already short listed the Northern Colorado area. A system should be worked out with NCEDC whereby a Fort Collins-centric team of city and business leaders would host prospects and tell the Fort Collins story directly. In this process, the team may identify barriers that the community could work to mitigate.
- **Strengthen the community's financing toolbox, so that financial barriers to expanding or attracting companies in the City's target industries can be minimized.** The community does a relatively good job of using economic financing tools like tax increment financing, federal entitlements and other widely available programs. However, much of this is done on an ad hoc, project by project basis. Fort Collins would benefit from a review of available financing tools to determine if others exist that might be useful in helping the community accomplish its economic goals. In the process of this review, the City should also identify possible changes to existing programs that it could recommend, which would make them more useful.
- **Strengthen the business retention and expansion program, so that the community is using limited resources effectively to retain high paying base jobs in Fort Collins.** Over the past five years, the community's business retention and expansion program has been dramatically strengthened. Mayor Doug Hutchinson and City Manager Darin Atteberry have been consistently disciplined about conducting onsite visits to the community's base employers. Additionally,

## An Economic Agenda for Fort Collins, Colorado

Mike Freeman has made business retention a priority. For its part, the Chamber has played a significant role in helping to strengthen the Fort Collins portion of NCEDC's Business Retention & Expansion (BR&E) program. Building on this strong platform, the next mayor should continue this outreach and the NCEDC, Chamber and City should confer on how to make the BR&E program work even better. Stronger coordination between the City, NCEDC, the Chamber, the Biosciences Cluster and the Clean Energy Cluster should be discussed. The community should also consider an annual appreciation event to celebrate the base employers in Fort Collins.

- **Continue and improve marketing of key 'jobs' corridors (Mountain Vista area, Harmony Road, Mid-town and South College Avenue, Mason Corridor, North College corridor, I-25) and begin to promote other areas such as the Center for Advanced Technology and the River District, so that the community can leverage our existing infrastructure.** Regional competition for businesses is fierce, which means that Fort Collins developers and the City of Fort Collins must tell their story aggressively and compellingly. Of particular note, the City deserves credit for the extensive design work of Foothills Mall redevelopment. That effort moves the property from 'C' priority to high 'B' within the mall owner's portfolio. The City has done a good job of appropriately promoting opportunities for development on its website. Other partners, including the Chamber, could do a better job in this regard and these marketing efforts should be expanded by all partners.
- **Establish an international trade council or club, so that area companies can strengthen or develop new markets.** At the present time, no organized forum exists in Northern Colorado for companies now involved in export or interested in learning more about export opportunities to meet, support each other and participate in education programs regarding export.
- **Recapitalize the Northern Colorado Economic Development Corporation (NCEDC) to an appropriate level for a market of our size (~ \$750k to \$1 million per year), so that it is capable of more effectively carrying out its mission of retaining and attracting base employers.** Economic development marketing is important and requires specialized talent and dedicated resources. NCEDC serves that role for the communities of Larimer County. Having a joint marketing effort reduces confusion for prospects by presenting a single external voice. Working jointly also leverages limited financial resources by avoiding duplication of staffing and other marketing costs. The economic downturn in 2008-2009 adversely impacted NCEDC's revenues and led to reductions of staff. To compete effectively for high paying base jobs, the organization needs to have increased levels funding. To that end, the NCEDC board should refocus the organization and undertake a fund raising campaign.
- **Create a strategic alignment of the region's two economic development organizations (Upstate and NCEDC), so that limited resources are deployed in the most effective manner to attract and retain base employers in Northern Colorado.** This recommendation does not mean the two organizations should merge, nor does it imply that the two staffs are not working together. Rather, it is a recognition that resources are scarce and that external prospects tend to look at Northern Colorado as anything north of Denver. Short of a merger, joint research and marketing efforts could be considered. Additionally, there may some operational efficiencies that could be explored. Significant cultural differences between the two areas and organizations are obstacles but are not insurmountable.

# An Economic Agenda for Fort Collins, Colorado

## Grow Our Own

A high tech cluster and a research university create a climate conducive to innovation and entrepreneurship. Fort Collins has been recognized for both. The question is, what more can be done?

- **Conduct government and corporate procurement training and events for Fort Collins businesses, so that the community can minimize the leakage of dollars out of the local economy and maximize the opportunity of Fort Collins businesses to succeed.** Major public and private sector employers make significant purchases. To slow the leakage of dollars out of the community, procurement seminars and showcases could be conducted to put small businesses together with government and corporate purchasing agents.
- **Study the ‘best practices’ of innovative communities to identify the key factors and specific programs that could be deployed to further enhance Fort Collins’ innovative and entrepreneurial environment.** This recommendation is about making something that is already working even better. Fort Collins is already an innovative and entrepreneurial place. Since this is a strength, what else can we do to leverage that strength? What can policy makers do to build a climate and culture of entrepreneurship? What, if any, policy options are available?
- **Develop a ‘capture strategy’ for CSU commercialization to retain as many of these spinoff companies as possible, so that the community can take fuller advantage of its greatest economic asset.** Fort Collins is fortunate to have a significant research university largely within its boundaries. The community is well positioned to leverage hundreds of millions of dollars of university research into economic benefits. However, it is important to remember that CSU is a state asset, not a Fort Collins asset. As such, there is no guarantee that CSU research facilities or spinoffs will stay in Fort Collins. In fact, other communities in Northern Colorado are competing aggressively to attract CSU startups. From a regional perspective, this is fine in that economically it’s better to have these companies in Northern Colorado than elsewhere. However, when a company moves outside the city, it decreases the direct economic benefit to Fort Collins. A key to making this strategy work is having suitable business parks, land and buildings as noted above under ‘Community Readiness for Jobs.’ This will require City officials to adopt a partnership approach. An example would be the proposed CSU research park at I-25 and Prospect. The City says that ‘growing our own’ is a key part of its economic strategy and that clean energy is one of its key industry clusters. That should translate into working cooperatively with the university to mitigate drainage and access issues on that site. The same approach should be taken with other sites.

In conclusion, Fort Collins is a great community. It has the assets to remain a great community assuming that today’s leaders have the proactive, aspirational foresight of their predecessors. Assuming that the community’s economic future is assured is unwise. This brief is intended to provide some options for moving the community’s economic vitality efforts to the next level of effectiveness.

## Supplementary Information

### Glossary of Terms



- **Base employer (also called primary employer):** a company that exports at least 50 percent of its goods and/or services outside of the region and 'imports' revenue into the region that underpins the economy.
- **Base jobs (also called primary jobs):** jobs which produce goods and services in excess of what can be consumed by the local market.
- **Cluster:** a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. (Source: Porter, M. E. 1998, Clusters and the new economics of competition, Harvard Business Review, Nov/Dec98, Vol. 76 Issue 6, p77)
- **Community development:** a process for making a community a better place to live and work.
- **Crony capitalism:** a term for relationships among government, business and labor whereby government bestows privileges that are unattainable in the free market, such as bail-outs, subsidies and loan guarantees.
- **Economic development:** an organized effort on the part of a community to influence the private sector to make investments in the community that will provide incomes for local residents, profitable business opportunities for employers and tax revenues for maintaining community infrastructure and services. Economic development is a process of deliberate intervention in the normal economic growth by making it easier or more attractive for base employers to operate profitability in a locale.
- **Economic justice:** a belief that economic policies must result in benefits that are distributed equally across income and racial lines.
- **Economic multiplier:** a calculation that summarizes the total impact that can be expected from change in a given economic activity. There are several types of multipliers including output multipliers (estimates the total change in local sales), employment multipliers (estimates the number of jobs required to meet the needs of one high paying base job), income multipliers (measures the total increase in income in the local economy resulting from a dollar increase in income received from a base employer) and value-added multipliers (an estimate of

## Supplementary Information

### *Glossary of Terms*

the additional value added to the product as the result of an economic activity). (Source: “Economic Multipliers: How Communities Can Use Them for Planning,” Wayne P. Miller, University of Arkansas).

- **Incentives:** a deliberate policy or set of policies designed to make a location more attractive to particular private sector investment decision makers.
- **Infrastructure:** the facilities and systems shared or used by all area citizens. The facilities have in common the requirement for significant capital investment. These investments influence the quality of our lives, economic productivity, how we relate to our environment, land use patterns and the very character of the community. These improvements include our roads, traffic signals, potable water system, waste water system, storm water system, landfill and recycling (land and equipment), emergency vehicles, public transportation, libraries, (land, buildings, books and technology), artistic and cultural facilities, parks and recreation (land, landscape, equipment) and government facilities (land, buildings).
- **Primary jobs:** see ‘Base Jobs’.
- **Quality of life:** the product of the interplay among social, health, economic and environmental conditions which affect human and social development.
- **Social justice:** a belief that advocates for a socially just world that involves a greater degree of economic egalitarianism through progressive taxation, income redistribution and property redistribution.
- **Standard of living:** a measure of the quantity and quality of goods and services available to people.
- **Tax base:** the sum of all taxable activities, collective value of real estate and assets subject to tax within a community.
- **Wealth generation:** undertaking activities that produce and support the creation of value.

## Supplementary Information

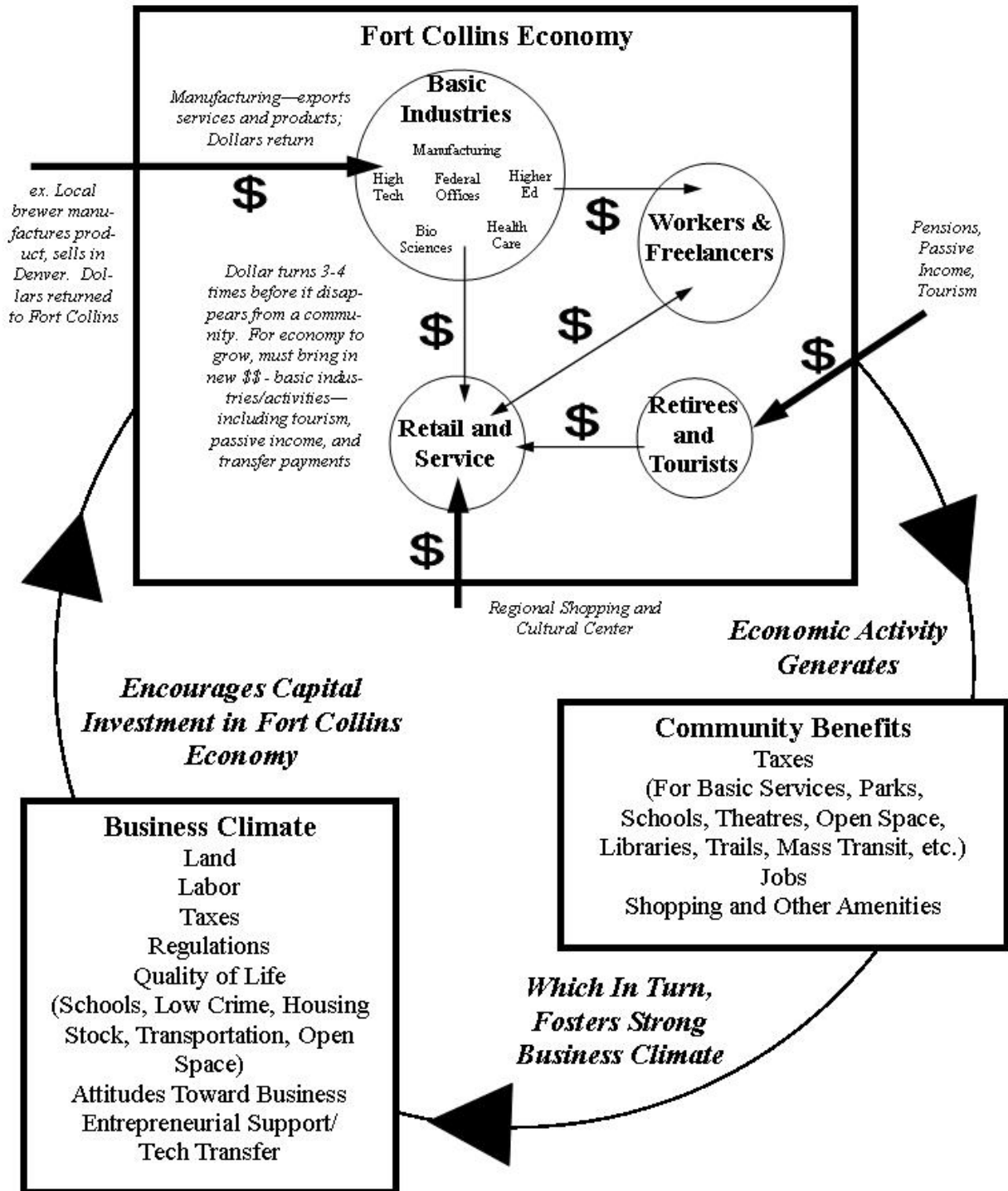
### *Economic Development Initiatives*

### *Undertaken by the City of Fort Collins*

- **Established a temporary group of citizens to start to work on economic plan.** While the community had many economic policies, it had no plan. The City Council created a group called the Economic Vitality and Sustainability Action Group (EVSAG) in January 2004 to create such a plan. EVSAG submitted a document to the City Council in July. Later, the City established a permanent commission called the Economic Advisory Commission.
- **Created the position of economic coordinator.** The city originally contracted with someone to serve in the role of economic advisor for a year. They have since created a permanent position and expanded the economic development office to include several employees.
- **Funded economic development.** The amount of the vendor's fee retained by retailers to offset some of their expenses for collecting sales tax was decreased. The money not retained by retailers was dedicated to the City's economic program. Subsequent changes have been made, but the City is still budgeting money for economic development.
- **Adopted an economic plan and identified industry clusters.**
- **Midtown Commercial Corridor Study.**
- **Urban renewal projects on North College Avenue.**
- **FortCollinsInnovation.com**
- **Fort ZED**
- **Reinstated the manufactures tax rebate program.** In 2003 the city stopped reimbursing part of the user's tax to eligible manufacturers. That program was reactivated in 2004.
- **Pursued a lifestyle center and mall expansion.** City government was aggressive in working to retain the community's status as the retail trade center of Northern Colorado. They altered the Harmony Road Corridor plan to accommodate what is known as a "lifestyle center". Subsequently, the city presented a financial package to a developer that was balanced and mutually beneficial and lead to the development of Front Range Village. Additionally, the City is working with the new owners of the Foothills Mall on their expansion plans.
- **Simplified the development review process.** In 2003 the city engaged the services of a consultant to review their development review process. Many of the 54 recommendations have been implemented, cutting considerable time out of the process.
- **Worked with the Virtual Incubator to establish an actual incubator.** The City government made one of their buildings available at a favorable rate to create an incubator. Now, using city financing, the Rocky Mountain Innovation Center is building a new facility on Vine, just north of downtown.
- **Provided considerable assistance with the In-Situ relocation to Fort Collins.** The City government worked closely with NCEDC to successfully recruit In-Situ to the community.
- **Extended Lease for CSU Small Engine Lab.** One of the best examples of partnership in the community is what is happening at the old city power plant on North College. The municipal government leases the facility to the CSU College of Engineering, which uses it for small engine research. Private sector partners work with the university on various research projects. The City Council voted in July 2004 to extend the lease to the university.
- **Included money in city budget for economic marketing.** The City added money to its budget for outside groups like NCEDC to submit proposals. Though not dedicated strictly for economic development, it's a step in the right direction.
- **Increased support of other economic development-oriented groups.** Co-founder of the Northern Colorado Clean Energy Cluster, helped convert 'Virtual Incubator' into the Rocky Mountain Innovation Initiative and have provided significant facility and financial support to the Northern Colorado Biosciences Initiative, the Uniquely Fort Collins effort and a GIS cluster.

# Supplementary Information The Vital Economy

## *The Vital Economy*





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