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## Why not Fort Collins: Why businesses pass on setting up in Northern Colorado

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When the nation's largest rental car company wanted to open a new insurance claims center in 2009, it chose Fort Collins over 20 other cities.

But when CSU spinoff Abound Solar, former AVA Solar, fast-tracked a manufacturing facility in 2008, it shunned its hometown for an existing building near Longmont.

With hundreds of jobs and economic vitality on the line, the development game is a competitive, winner-take-all business.

The city's highly touted quality of life draws some, but why do others look in Fort Collins and leap elsewhere?

The answer is a complex combination of available space, workforce, infrastructure needs, cost of doing business, transportation and those intangibles that defy definition.

For Enterprise - owner of Enterprise, National and Alamo rental car companies - it was the help provided by the Northern Colorado Economic Development Corp., or NCEDC, that ultimately brought 122 new jobs to the city.

"NCEDC provided us very thorough information about the employee base in Fort Collins, real estate options and connected us with people who could help us with recruiting," said Ned Maniscalco, spokesman for Enterprise in Missouri.

For Abound Solar, it was all about timing.

Staying in Fort Collins would have meant building a manufacturing facility from the ground up when just 20 miles south there was a large, turnkey building that met most of its needs. It could move in within months escalating that all important time-to-market.

NCEDC President and CEO Walter Elish says the No. 1 reason companies may bypass the region is a limited supply of suitable space.

Josh Birks, the city's economic adviser, said it's a blessing and a curse. "It's a good thing that we don't have a ton of space sitting around vacant. But it's a bit of a curse in that we don't have ready-to-go space."

Statistics gathered by Realtec Downtown, show Fort Collins has 51 vacant industrial buildings totaling 683,886 square feet of empty space out of about 10 million square feet of total industrial space.

But only 10 of those vacant buildings are larger than 20,000 square feet.

Realtor Jim Mokler argues there is plenty of space for most new businesses interested in Fort Collins if they want to build new.

"Industrial product can be built fairly quickly and larger users can build what they need on available land," including 862 acres near Anheuser-Busch north of the city, said Mokler, broker/partner with Realtec Downtown.

With vacancy rates for industrial and flex space in Fort Collins around 5 percent, there's growing fear Fort Collins will lose existing companies if they can't find room to grow, said Steve Kawulok, managing director of Sperry Van Ness The Group Commercial LLC.

Inquiries about industrial space are up threefold since mid-recession, driven by growth in agriculture and energy companies, Kawulok said.

Weld County has absorbed much of the demand, but it is spilling into Larimer County as well.

Kawulok's company is leasing about 65,000 square feet of distribution space near I-25 and Mulberry Street and has multiple parties negotiating for all or part of the space, Kawulok said.

"It's illustrative that industrial is more regional than local, but we are creating technology and science through CSU and putting those ideas out into the commercial world," he said.

"It would be nice if we could house them locally as well, but I'm seeing evidence that we might not be able to in the short run. The hotel is pretty full."

But banks likely won't start financing new construction until there is enough demand to have preleasing, Kawulok said.

"I think we're getting to that stage where build-to-suit will once again be up," he said.

When VanDyne Super Turbo gets ready to combine its three Fort Collins locations, it likely will move from the west side of I-25 to the east.

The company that is developing new technology to make internal combustion engines more efficient and compact has been looking for about 40,000 square feet of space for more engines and low-volume manufacturing for about 18 months. After looking at 50 buildings, it hasn't settled on one yet.

CEO Mark Herbst said he did find some space in Fort Collins that would meet his space needs but not its power needs.

When all its engines are running, VanDyne generates "quite a bit of electricity that we can sell back to the grid to pay for our fuel expenses," Herbst said.

The Poudre Valley Rural Electric Association will pay about \$45 per megawatt hour, generating about \$1 million a year for VanDyne.

The Poudre River Power Authority will pay one-fourth that amount but doesn't really want the power, according to Herbst.

PVREA services rural Larimer County and areas east of I-25. PRPA is the provider for the west side, including Loveland and Fort Collins.

Even if it moves much of its production outside Fort Collins as early as the first quarter 2013, Herbst said it will always maintain a presence at the CSU Engines and Energy Conversion Lab.

## Wait, no, hurry

Because of economic conditions businesses are waiting until the absolute last minute to make decisions about relocating creating artificially compressed time frames that preclude building new space, Birks said.

Birks points out the city's primary emphasis is on the retention and expansion of existing businesses and then on strategically attracting new companies to town.

About Solar and Vestas Wind Blades' blade factory and nacelle assembly factory plant that went to Brighton were big disappointments for the city, Birks said.

With a Vestas blade facility already open in Windsor, "Vestas was a big opportunity. But Brighton gave them a tremendous deal," Birks said.

About Solar already was in Fort Collins and had land at I-25 and Prospect Road ready to build when the company unexpectedly announced it was moving manufacturing facilities to near Longmont.

"They were looking for a clean room that was ready to go, and lo and behold there's one standing vacant in Longmont," Birks said.

Longmont at the time had a "significant amount of vacant industrial space due to economic conditions that hit the city hard, he said. "So they made the best business decision they could."

Other companies may have specific needs dictating their locations such as vicinity to the interstate, rail lines or airports; an abundance of clean water; specific type of workforce or proximity to other like businesses.

A wholesale steel distributor like Valley Steel or a fabricator such as Vestas need rail service. Breweries need a high volume of clean water, said David May, president and CEO of the Fort Collins Area Chamber of Commerce.

"Talent is a big deal," he said. Sometimes, companies look to take advantage of an existing pool of talent, "which was why Pelco moved here (now Schneider Electric). And, sometimes the quality of the community's education system is used by companies to recruit specific talent to their firm."

## Incentives, attitude

While government incentives don't play a huge role in attracting new businesses to the state or Northern Colorado, a municipality's attitude can go a long way to sealing a deal.

Fort Collins has done a nice job on community development but is largely indifferent about making a sound business case, May said. "That shows up in our political rhetoric and government policies."

Five or six years ago, Fort Collins hosted a prospective high-tech firm from California. May said he was extolling the virtues of bike paths, trails and open space for their employees when the chief financial officer cut him off. "He said, 'That's all nice, but it drives up my land-acquisition costs. Basically, government is competing with me.' It was a reminder that community development is only half of the story. We still have to make a company's numbers work."

## Talent pool

Skill levels of an available workforce also ranks high among companies wanting to expand into a

region, Elish said, and that's getting attention in Larimer County.

It's not just workers with four-year or graduate degrees he said.

"Some need machinists; some need welders; some need tool and die makers, and those skills are not readily available," he said. "Not just here but up and down the Front Range."

A recent summit sponsored by the Larimer County Workforce Center focused specifically on the local talent pool and ensuring workers have the skills companies are looking for.

Manufacturing-type skills are good paying jobs, Elish said. "People focus on that four-year degree and tend to lose sight that a two-year degree is fine and people can make good money. It's almost a nationwide issue."

NCEDC is supporting the Workforce Investment Board's efforts to spread the word in high schools and community colleges to share the information and make sure courses provide needed skill sets.

Front Range Community College, for instance, has thriving welding and HVAC programs along with certificates in green energy technology, etc.

## What can a city do?

While communities may not have big incentive packages to offer, they do control their development processes and how easy or complicated that is for a business to go through, Elish said.

"All are working to get better, from Wellington to Berthoud," he said. "Loveland is looking at it. Timnath is looking at it. Fort Collins is going through its economic health strategic planning process. I think they all are and recognizing that business is an important part of the economy."

The city also can work with landowners and developers and make sure they're focusing on getting sites ready so "when there's an opportunity for a build-to-suit, we can make sure they can do that in as timely a fashion as possible," Birks said.

That all comes back to the development review process - a process the city has worked hard to streamline during the past few years.

The city also can work on public/private partnerships like it did with MAVD, developers of the Harmony Technology Park, he said.

The city helped create a metro district that would fund infrastructure at the park that is still largely undeveloped.

May said if the city really wants to attract and retain companies with good-paying base jobs, it would be wise to stop making them pay to widen roads, fix interchanges, extend utilities and pay a long list of fees.

"They are highly desirable job-creating engines worth investing in," he said. "We should go out of our way to lower barriers for them to invest and create jobs here."

A primary employer recently told May: 'Certainty is our new religion now,' meaning that in the current political and economic environment his firm won't take unnecessary risks.

"This particularly means government risk. To be business-friendly and attract base employers, communities must provide certainty and speed.

"Business decision-makers are operating in extremely tight decision windows and won't accept risks, especially from slow or unfriendly governments. They need to know that a decision will get made in a timely manner with a minimum of political drama."

May cited two recent examples that caught the eye of primary employers: the city's State of the City address and recent electric rate hikes.

In the State of the City address, "while touting the triple bottom line of sustainability, city officials gave very little attention to the economy," he said.

"Believe me, business people noticed. Also, they noticed the city's attitude toward business when the council increased electricity rates by 20 percent with no advanced warning. One was subtle. The other was blatant. Both were noticed by company decision-makers, and neither reflected well on Fort Collins," he said.

Birks said, despite the increase, Fort Collins still has some of the lowest rates in the state, though he acknowledged the city did not communicate well some of the changes. The city has made a commitment to ongoing conversations with mid- and large employers where input costs are a big part of their financial strategizing, he said.

## Additional Facts

### AVAILABLE INDUSTRIAL SPACE

(Fort Collins)

Size, # avail, total sf

0-2,500 sf, 10, 19,200

2,501-5,000, 12, 42,276

5,001-10,000, 10, 78,431

10,001-20,000, 9, 121,895

20,001+, 10, 422,084

Source: Realtec Downtown