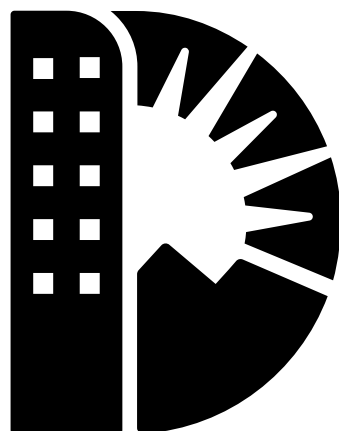


**September, 2004**

# **Business Retention Study**

**Phase I Findings and  
Recommendations**



**D E N V E R**  
**THE MILE HIGH CITY**

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## **SECTION 1 INTRODUCTION**

In his July 2003 inauguration address, Mayor John W. Hickenlooper set out five goals.

1. Denver city government will achieve the highest customer service rating in the country
2. Denver city government will create 25,000 net, new private sector jobs
3. People will say Denver is an even better place than it was in 2003
4. People who work for Denver city government will say it is an even better place to work than it was in 2003
5. Denver city government will live within its means.

While the city's Office of Economic Development has focused its attention intensively on these goals, a particular emphasis has been placed on the creation of 25,000 net new private sector jobs in the City and County of Denver. To identify effective actions toward this goal, we needed to better understand Denver's business climate. Specifically, we wanted answers to questions such as:

- ▶ What are the strengths and weaknesses of metro Denver as a place to do business?
- ▶ How does the City and County of Denver make it easy or hard to do business?
- ▶ What role should the city take in promoting economic development?

To answer these questions, the Office of Economic Development completed Phase I of a comprehensive research project, commonly known as a business retention survey, from April to June, 2004. This project enhanced our understanding of the local business climate through a review of existing data and in person and on-line contact with representatives of 369 businesses in targeted industries. To the best of our knowledge, this represents that largest business retention survey in the metro area in recent history.

This report summarizes the findings of our research. Following this introduction, it is organized into five sections:

- ▶ The stand alone Executive Summary presents the methodology, key findings and recommendations from the project;
- ▶ Section II discusses findings related to the overall business climate;
- ▶ Section III summarizes assessments of local infrastructure;
- ▶ Section IV comments on the interaction of businesses with city services; and
- ▶ Section V discusses the key findings and recommendations.

## **ACKNOWLEDGEMENTS**

This study was directed by Jim Carpenter, Policy and research Coordinator of the Denver Office of Economic Development, with oversight provided by John Huggins, Director of the Denver Office of Economic Development, and Mary Buckley, Director of Business Development.

This study depended on the participation and goodwill of numerous companies and individuals. Prominent among these are focus group participants and survey respondents. See Appendix A for a complete list of these companies.

In addition to the participants, the interview team leaders played key roles. They found time to conduct as many as 16 interviews while still carrying out their everyday responsibilities. Team leaders included Laurie Baker, Ned Burke, Sharon Hill, Mary Jeffreys, Tim Martinez, Michael Miera, Larry Miguel, Cynthia Moreno-Martinez, Nathan Oatman, Nike Okediji and Mary Beth Vaught. In addition, over 170 staff from the Office of Economic Development are acknowledged for their contributions to this report by participating in at least one business interviews. Jim Ottenstein from Community Planning and Development was the Graphic Designer for this report.

Finally, a number of industry associations contributed lists or hosted roundtables, including the Colorado Software and Internet Association, the Denver Gold Group, the DIA Business Partnership and the National Association of Industrial and Office Professionals.

## SECTION II

### METHODOLOGY

The findings of this report rely on secondary data summarizing trends in the local economy and primary research conducted by staff of the Office of Economic Development. In person or in focus groups, we interviewed owners and key managers of targeted Denver businesses to better understand the local business climate and the city's role in its enhancement. Topics included the following:

- ▶ Trends in business growth and innovation;
- ▶ Perceived strengths, weaknesses, threats and opportunities in the local business climate;
- ▶ Assessments of the city's workforce;
- ▶ Evaluations of general city services; and
- ▶ Assessments of available business assistance resources.

### BUSINESS INTERVIEWS

In-person business interviews were conducted with more than 174 Denver businesses, with another 45 received from an on-line interview guide.<sup>1</sup> Businesses selected for the interview process had participated in one of three city programs: the Small and Disadvantaged Business Enterprise certification program, the city's economic development loan funds or the city's business incentive program. More than 60 percent of the businesses contacted agreed to participate in an in-person interview, and many of those who declined filled out an on-line survey instead.

The survey instrument used was created from e-Synchronist, a business-retention survey tool used by cities and states nationwide. [See Appendix B for a copy of the survey instrument.] This tool will allow the City to share its data with other cities in the metro area and with the State of Colorado's Office of Economic Development to provide consistent and comparable data.

Working in pairs, staff members from the Office of Economic Development conducted the interviews; one of 12 team leaders attended every interview, with another staff person from the office present in most cases. Over 170 employees from the office met with at least one business. Team leaders were trained in administration of the survey prior to beginning the process. In all, over 75 percent of the Office's more than 200-person staff attended interviews.

After gathering completed surveys, the business development division of the Office of Economic Development centrally entered the results into a database for statistical analysis. To enhance the analysis of the surveys, a de-briefing session was conducted with the 12 team leaders to discuss study findings and to identify key themes.

The majority of all businesses interviewed were small business consisting of fewer than 10 employees. Ninety percent had of 50 or fewer workers. Only three respondents (representing 2 percent of all responses) were businesses with 500 employees or more. This is roughly consistent with Denver's businesses as a whole. Over 95 percent of Denver businesses have fewer than 50 employees and over 80 percent have fewer than 20.<sup>2</sup>

### Exhibit 2-1. Size of Responding Businesses, by Number of Employees

Number of Employees	Total	Percent
Less than 10	90	52%
10-24	42	24%
25-49	24	14%
50-99	7	4%
100-499	8	5%
500+	3	2%

The service and construction sectors were well represented in the sample, making up nearly half of all respondents. Retail and architecture/engineering also had substantial participation. The predominance of these sectors is not surprising, given the databases used to invite businesses to participate. Some prominent segments of the Denver economy, such as finance and information technology, are under represented in this sample. However, these industries were targeted in the roundtable process.

### Exhibit 2-2. Responding Businesses, by Industry

Industry	Total	Percent
Service	50	26%
Construction	41	22%
Retail	28	15%
Architecture/Engineering	27	14%
IT/Telecommunications	13	7%
Manufacturing	9	5%
Communications/Broadcasting	5	3%
Finance/Insurance/Real Estate	4	2%
Energy	3	2%
Marketing	1	1%

<sup>1</sup>Due to some overlap between in-person and on-line surveys, a total of 200 non-duplicated surveys were compiled.

<sup>2</sup> County Business Patterns, 2001.

## **FOCUS GROUPS**

Complementing the interviews, a series of 16 focus groups (also referred to as roundtables) were held with representatives of 169 Denver businesses. Targeted businesses were invited to attend based on their inclusion in a key metro Denver industry cluster or their presence on a Denver Business Journal list of fastest growing companies. Targeted industry clusters with a significant presence in Denver included:

- ▶ Air transportation
- ▶ Beverage production
- ▶ Energy
- ▶ Finance
- ▶ Life sciences
- ▶ Telecommunications

We gathered lists of companies from commercial business databases and from industry associations.

A customized discussion guide for the focus groups focused on the same three targeted questions presented above. Participants were asked to comment on the strengths and weaknesses of the Denver economy in regards to their industry, on their experiences working with the City and County of Denver, and what they thought the city's role for economic development should be. Two surveys were used to gather information from roundtable participants, samples of which are included in Appendix B.

**SECTION III.**  
**BUSINESS CLIMATE**

The metro Denver area is home to a \$95 billion economy, over half of the \$174 billion Colorado economy.<sup>1</sup> Just as the metro area plays a substantial role in state growth, economic activity within the City and County of Denver drives the metro Denver economy to a significant degree. Nearly 32 percent of the firms, 38 percent of employment and 40 percent of wages in the Denver Metropolitan Statistical Area (MSA) are located within the City and County boundaries.<sup>2</sup> Clearly, an assessment of the metro business climate is a vital first step, as the City's actions can serve as a powerful determinant of the economic health of the metro area and the state.

**WHAT DO WE ALREADY KNOW ABOUT DENVER'S ECONOMY?**

**Current Snapshot**

While Denver has historically relied on resource production and other cyclical industries, by 2002, the metro economy had become more complex and diversified. During the 1980s and early 1990s, "as dependence on agriculture, mining and manufacturing declined, Colorado became more in tune with the national business cycle."<sup>3</sup> The metro area's economy now boasts above-average diversification, with a national rating of 0.58 on a scale of 0.00 (least diverse) to 1.00 (most diverse). "An increase in industrial diversity is one of the few positive developments from the last three years."<sup>4</sup>

In this newly diversified economy, a variety of service, health care, and technology industry sectors act as key drivers. In 2002, five sectors made up nearly half of the city's employment, and a similar, but not identical, group of five sectors constituted a majority of wages, as shown below:

**Exhibit 3-1.**

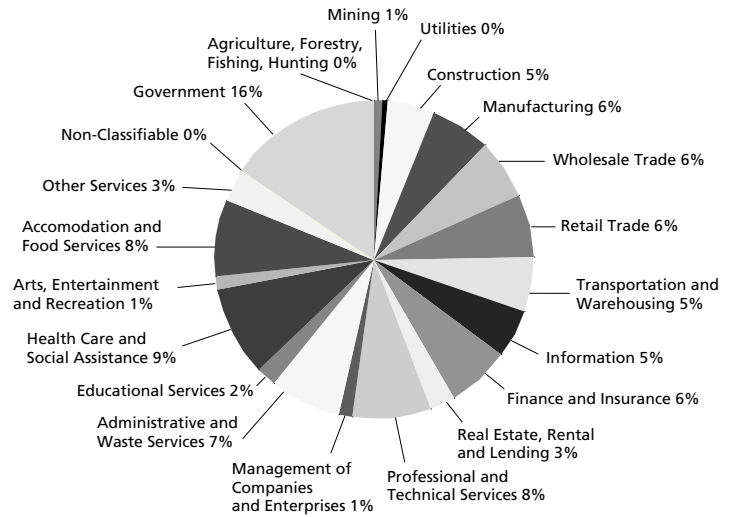
**Top Employment Sectors**

<b>By Employment</b>	<b>By Wages Paid</b>
Government	Government
Health care and social assistance	Professional and technical services
Accommodation and food services	Finance and insurance
Professional and technical services	Health care and social assistance
Administrative and waste services	Information

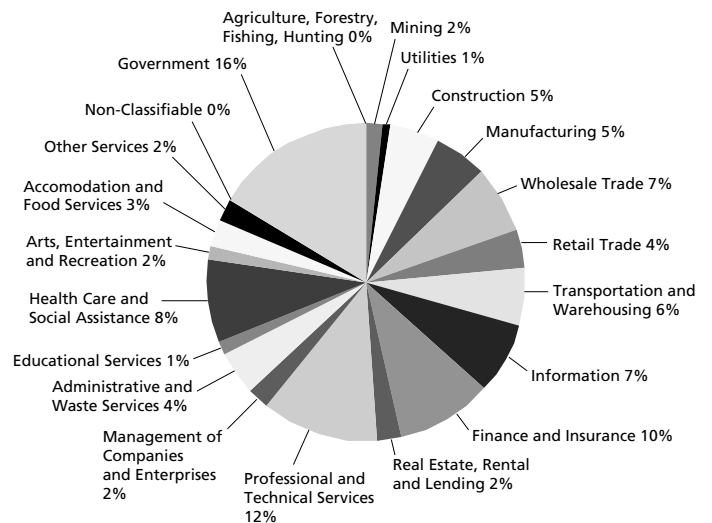
The mismatch between these two groups illustrates the low wages generated by business in the accommodation and food services and by the administration and waste services sectors.

**Exhibit 3-2.**  
**City of Denver --**  
**Employment and Wages, 2002**

**Employment in the City and County of Denver**



**Wages in the City and County of Denver**



An examination of the fastest growing large firms in Denver in 2002 revealed similar patterns. Of the 10 fastest growing firms with 2002 revenues exceeding \$8.9 million, three were in the finance sector, two in business services, and two in technology. Top employers are in the health care, retail, air transportation, and telecommunications sectors.

<sup>1</sup> *Precis METRO © 2004 Economy.com, Inc.*

<sup>2</sup> *Colorado Department of Labor and Employment, Colorado Employment and Wages (ES 202), Annual Average 2002*

<sup>3</sup> *Drs. Adams, Tucker Hart; DeMartino, George; and Gabel, Ilene. Denver in the Global Economy, 2004, p. 15.*

<sup>4</sup> *Precis METRO © 2004 Economy.com, Inc.*

### Exhibit 3-3. Top Denver MSA Employers

Fastest Growing Companies (over \$8.9 million in 2002 gross revenues)	Percent Revenue Growth 2002
--	-----------------------------

Red Hawk Industries	638%
Team Lending Concepts	299%
Xpectra, Inc.	285%
Noodles & Company	273%
Policy Studies, Inc.	215%
Integrated Information Tech. Corp.	173%
Cherry Creek Mortgage Co. Inc.	150%
Skimore Inc.	143%
Premier Mortgage Group LLC	138%
Spaces	136%

Top Employers	Number of Employees
---------------	---------------------

King Soopers	15,405
Qwest Communications International, Inc.	13,200
Centura Health Systems	12,362
Safeway, Inc.	11,317
Columbia-HealthONE, LLC	9,000
Lockheed Martin Corp.	6,500
United Airlines, Inc.	6,200
Wells Fargo (Norwest Corporation)	6,050
Exempla Health Care	5,471
United Parcel Service, Inc.	4,897

Source: Denver Business Journal and PreciS METRO © 2004 Economy.com, Inc.

### Recent Events.

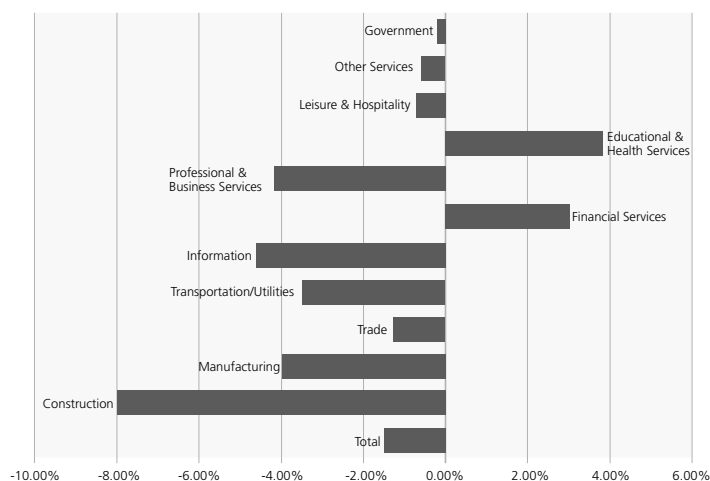
The post-2001 era has not been kind to the Denver economy. Over 40,000 jobs were lost in 2002 and 2003 as a result. After hovering between two and three percent from 1997 to 2000, metro Denver unemployment grew to nearly six percent in 2002 and 2003.

Only two industry sectors saw employment growth in recent years, educational and health services and financial activities. The annual rate of job loss in the economy as a whole has hovered at 2 percent in recent years, with office vacancy rates approaching 20 percent. Personal income growth decreased from 9 to 12 percent in the late 1990s to a low of -0.1 percent in 2002. Construction activity has slowed markedly, with decreases in single and multi-family permits in 2002 and 2003.

Regardless of the indicator examined, the metro economy has suffered since 2000. Sectors that were hit particularly hard include construction, information (including telecommunications), professional and business services, manufacturing and transportation/utilities.

### Exhibit 3-4. Current Employment Trends (March 2004 Percent Change Over Previous Year, 3 month Moving Average)

Source: PreciS METRO © 2004 Economy.com, Inc.

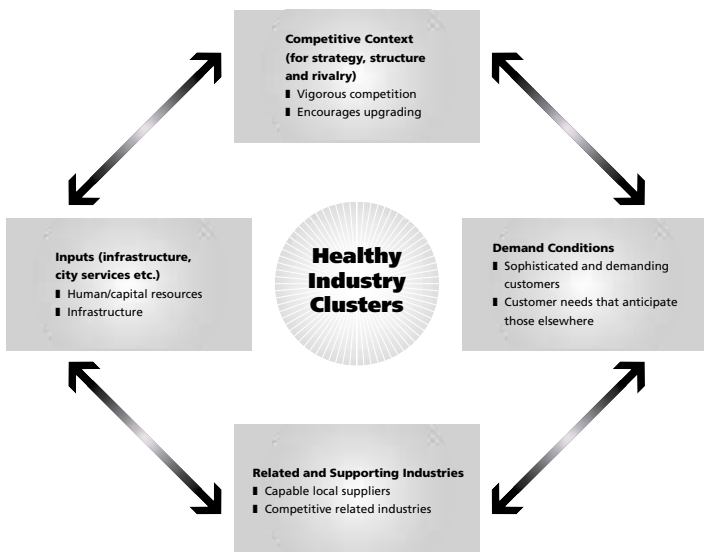


### What will drive future growth?

Economists state that any region's growth derives in large part from the key clusters that drive the larger, national economy. When certain factors are in place, these clusters can thrive, importing dollars (and workers) and spinning off benefits to other businesses. Necessary components of a thriving economy include:

- ▶ A healthy competitive context, in which competitors not only are forced to innovate, but also have opportunities to learn from each other, to form partnerships and to create new companies;
- ▶ Access to sophisticated customers that provide useful feedback to help companies innovate;
- ▶ A network of ancillary services -- attorneys, accountants, consultants and others -- that help businesses innovate; and
- ▶ Necessary inputs -- financial capital, human capital and the physical and regulatory infrastructure -- that support successful businesses.

### Exhibit 3-5. Key Drivers of Healthy Industry Clusters



Source: Porter, Michael, *Clusters and Competition, New Agendas for Companies, Government and Institutions*, September 1997.

When these components are all in place, industry clusters can grow and thrive in regional economies.

According to the Metro Denver Economic Development Corporation (MDEDC), nine clusters currently form the heart of the metro economy: aerospace, air transportation, beverage production, broadcasting and telecommunications, computer storage and peripherals, energy, finance, life sciences, and software. In all of these industries, Denver’s employment concentrations exceed the levels seen nationwide. The impact of employment gains or losses within these clusters varies widely. Consider the potential impact of a 1% gain in Beverage Production, with 7,000 employees, compared to Life Sciences’ more than 93,000 employees.

### Exhibit 3-6. Metro Denver’s Nine Key Industry Clusters

Cluster	Employment	Average Annual Growth (1998 to 2003)
Life Sciences	93,300	1%
Broadcasting and Telecommunications	56,300	8%
Software	34,700	8%
Energy	34,000	2%
Finance	16,800	5%
Computer Storage	16,100	-4%
Air Transportation	15,000	2%
Aerospace	13,200	3%
Beverage Production	7,000	-1%

Source: Metro Denver Economic Development Corporation

The future of these clusters will significantly impact the

future of the Denver economy. Accordingly, we sought out roundtable participants that are either active in businesses in these industries or independently identified as fast growing.

### What does the future hold?

The Metro Denver Economic Development Corporation (MDEDC) projects “minimal” growth in the metro area during the first half of 2004, with growth strengthening over the second half of the year. The strongest growth is projected in:

- ▶ Professional and Business Services (5,300 positions);
- ▶ Educational and Health Services (4,000 positions); and
- ▶ Retail Trade (2,200 positions).

These gains (and those in other sectors) will be offset by a substantial decline in manufacturing jobs and a small loss in construction jobs. In total, less than one percent growth is forecast for the year.

The long-term outlook for the metro area is less clear, though the potential appears to trump the constraints. Positives such as Denver’s position as the prime location in the West and the city’s high concentration of technology businesses combine to create a belief in strong potential for Denver. Concerns about the cost of living (111 percent of the national average) and pressures faced by large employers like Qwest, United Airlines and MCI temper the optimism somewhat. On balance, “over the long term, the metro area’s skilled workforce, expansive research base, and growing information technology industries will continue to attract a healthy flow of new residents and growing capital investments (...)” leaving the metro area “poised for above-average growth.”

The Denver Regional Council of Governments takes a cautious outlook on the metro economy. It has projected total regional employment of 2.1 million in 2025, representing just 1.3 percent annual growth over the period. Their outlook on employment within the City and County of Denver is even more cautious, with a projection of 635,000 jobs by 2025, or a 1.1 percent annual growth rate.

Overall, these projections indicate comfort with the fundamentals of the local economy, coupled with concern about the stresses revealed in recent years.

### WHAT DO DENVER BUSINESS PEOPLE THINK ABOUT THE BUSINESS CLIMATE?

Despite the economic trends of recent years, Denver business people are cautiously optimistic about trends in the local economy. “Slow growth” was identified as the norm, with general agreement with the comment that “I view there being a lot of opportunity here.” This optimism included a belief that the economy has diversified and general approval of local real estate development, particularly in LoDo and other downtown neighborhoods.

When focus group participants were asked to rank various aspects of the local economy from 1 (low) to 5 (high), they generally approved of the fundamentals underlying the local economy. Only two items, transportation infrastructure and level of taxation, were ranked below average (3), with transportation infrastructure only slightly under that level. The findings were consistent with general optimism about the fundamentals of the local business climate.

**Exhibit 3-7.**  
**Assessment of Denver Business Climate**  
**(1 = low and 5 = high)**

	<b>Average</b>
Quality of available workforce	3.9
Stability of available workforce	3.6
Communication/Data infrastructure	3.6
Access to customers	3.2
Proximity of suppliers/partners	3.1
Transportation infrastructure	2.9
Level of taxation	2.5

Optimism about the local economy is striking, given the fact that less than half of the businesses interviewed reported increasing revenues. However, over three quarters of the firms reported stable or increasing sales and 90 percent reported the same for employment. Moreover, 70 percent of respondents expect to expand in the next three years, with nearly two-thirds planning to introduce new products or services. Despite recent struggles, Denver’s businesses are poised and planning for growth.

**Exhibit 3-8.**  
**Expected Growth**

<b>Indicator</b>	<b>Percent</b>
Expansion Plans	70.0%
New Products/Services Expected	66.3%
Increasing Sales	47.0%
Stable Employment	45.3%
Stable Sales	30.0%
Would Expand Outside Denver	29.2%

The role of innovation in expected growth is important to recognize. The “innovation” companies (those that are introducing new products or services) are more likely to have growing sales or employment or to plan to expand in the next three years. By innovating, these businesses have weathered the recession better than other businesses and are poised to take advantage of a recovery.

**Exhibit 3-9.**  
**Growth and Innovation**

<b>Indicator</b>	<b>Percent of Total Percent</b>	<b>“Innovating Companies”<sup>1</sup></b>
Expansion Plans	70.0%	8.20%
Sales Increasing	47.0%	56.0%
Increasing Employment	44.7%	55.0%

*Note: The difference between all companies and companies that are innovating is not statistically significant at a 5 percent confidence level. However, the difference in the likelihood of expansion when comparing innovating and non-innovating companies is statistically significant.*

While Denver business people are generally optimistic, they have several serious concerns. A large number of companies identified survival as their greatest achievement over the past five years; yet survival is not sufficient for innovation. Some business people saw the local economy as “stagnant” or “depressing,” although this represented a minority opinion. Others had concerns about particular industry sectors. These included comments such as:

- ▶ “Manufacturing is leaving the state,” and “Denver does not have a strong manufacturing base;”
- ▶ The “cable and telecommunications industries are dissipating.” “The (telecommunications) industry sector was absolutely devastated” in the past few years; and
- ▶ “We need to prepare for the impacts that will occur if Qwest is sold.”

Overall, cautious optimism was apparent across many of the focus groups. When Denver business people look at the fundamentals of the local economy, they see strong opportunities for growth, particularly when tied to innovation. However, the last three years have shaken the confidence of many people, raising their caution level in assessing local prospects.

**STRENGTHS AND WEAKNESSES OF THE LOCAL ECONOMY**

Despite the caution regarding trends in the economy, local strengths are seen as outweighing weaknesses. Denver’s central location, strong workforce, pleasant climate and environment, potential for growth, ethnic diversity and low tax burden all serve to enhance evaluations of metro Denver as a place to do business. Many business people focus specifically on the area’s quality of life, including “natural attractions,” “climate” and “recreational environment.” Denver’s role as a hub in the metropolitan area and the “active city life” available in the city also play a prominent role in positive assessments of the business climate.

While strengths outweigh weaknesses, local businesses do have a number of concerns, including traffic/transportation, parking, permitting, housing costs, K-12 education, funding cuts for higher education and the tax environment. In addi-

tion, there were general unspecified comments about the city not being sufficiently “business friendly.” Specific comments about city government focused on the head tax and the personal property tax, as well as the lengthiness of the inspection process and the need for improved traffic solutions.

Three perceived shortfalls emerged during these discussions: first, an entrepreneurial culture; second, so-called “anchor tenants,” or company headquarters; and third, networking and mentoring opportunities.

## Entrepreneurial Culture

Many business people see the local entrepreneurial culture as needing improvement. Recognition of this fact can be seen in an initiative undertaken by the Rockies Venture Club to make Denver a “hothouse” for entrepreneurship. A number of specific cultural shortcomings were identified in interviews and focus groups:

- ▶ It’s difficult for local entrepreneurs to assemble teams of accountants, attorneys, consultants and others. Denver does not have a culture of entrepreneurs being taken in by facilitators and guided to the right people. A collaborative model from Silicon Valley (known as a *keiretsu*) was often presented as an alternative, where established companies take an active interest in the health of firms that might supply them, become their customers, or otherwise benefit from collaboration.
- ▶ The culture of the local universities does not lead to entrepreneurial activity in the way that it does at Stanford, Cal-Tech, MIT, and other institutions. While some of this is seen as a technical shortcoming of technology transfer offices, it also reflects the cultural underpinnings of these institutions and their perceived emphasis (or lack of emphasis) on entrepreneurial activity.
- ▶ Entrepreneurs are not celebrated in Denver to the degree that they are in hotbeds of entrepreneurship, such as Austin, Seattle and Silicon Valley.
- ▶ The costs of insurance, including health care, proposed construction defect legislation and workers compensation insurance stymie the development of new companies.

While all of these shortcomings are important, the role of technology transfer offices is particularly crucial. Universities have anchored the development of economic hotspots such as Boston, Raleigh-Durham-Chapel Hill, Seattle and Silicon Valley. For Denver’s entrepreneurial culture to rival these areas, the universities need to form substantial links to the local economy. Colorado’s universities have many assets, but they are not seen by local business people as particularly effective in spinning off innovative local businesses.

## “Anchor Tenants”

A second common thread running through several discussions was concern that Denver has neither sufficient num-

bers of large, headquarters-type operations nor do those that are here sufficiently support the local economy. A typical comment during these discussions was “(w)e don’t have enough headquartered companies here in Colorado. (...) Qwest could easily move away.” When prompted to expand on their views, participants said that large companies significantly enhance the prospects for smaller companies. “In my business, you butter your bread a little bit with a big company. (...) They’ve got the money.” Participants described these companies as “anchor tenants” that stimulate a local economy in the same way that a department store or supermarket might anchor a mall or shopping center.

One particular opportunity for attracting new “anchor tenants” is in the Oil and Gas Industry. Executives from these companies noted the many benefits of locating in metro Denver and encouraged the City to recruit those companies with operations in Colorado but without headquarters or executive offices in Denver.

While “anchor tenants” are seen as needed, there was disagreement about the role of incentives in attracting those companies. Some people felt that incentives were necessary to attract such companies and would represent money well spent, while others raised concerns about subsidizing particular businesses, rather than investing in the fundamentals of the local economy. Further research is warranted into (1) the effectiveness of “anchor tenants” at driving local economic growth, and (2) the impacts of incentives on attracting those “anchor tenants.”

In addition to believing Denver would benefit from additional headquartered companies, participants voiced concern that the existing companies do not participate sufficiently in the local business environment. This concern ranged from comments about a lack of purchasing from local suppliers to a feeling that the existing large companies neither spin off new businesses nor encourage innovation. As one participant noted, “these are not easy relationships to change – your legal relationship or your accounting relationship.” Large companies are seen as highly important to the economic health of the region; that economic health can be significantly impacted by their interactions within the local economy.

## Networking & Mentoring Opportunities

The final aspect underlying the general business climate was the ease or difficulty of networking in Denver. There is a sense that it’s harder to meet principals of major companies and more difficult to assemble teams of lawyers, accountants, and marketing professionals than in locations like Silicon Valley. As one person commented, “There’s no connection between the Denver Chamber of Commerce, technology transfer at UCD and city government. Everyone’s just sort of out there in their own orbit and there’s no connection.”

Input during the networking discussion dovetailed with comments about the degree to which top executives in large companies are accessible. Many comments followed a similar pattern: “In \_\_\_\_\_ (fill in the blank location – Austin,

Los Angeles, Silicon Valley), I could meet \_\_\_\_\_ (fill in the blank top executive), but I've never met the CEO of Qwest, Coors or FirstData." The perceived unwillingness of large companies to form partnerships, buy locally or serve in a networking and facilitation role was seen as a major gap in the local business climate.

Another thread of the networking discussion focused on the lack of mentors for entrepreneurs in metro Denver. One participant noted "Denver doesn't have a 'help your own' mentality." Entrepreneurs, facing a confusing array of resources that may or may not be reliable and an uncertain business climate, have difficulty finding mentors in Denver to help them navigate those first steps.

While concerns emerged about a lack of networking and mentoring opportunities, we came across selected opportunities during the course of this research. The CXO Network provides networking opportunities for leaders of local Denver companies. Other organizations, including CTEK, the Rockies Venture Club and a number of industry specific organizations provide a variety of avenues for networking and mentoring. Despite the presence of these organizations, however, gaps exist in (1) knowledge of available opportunities, (2) effectiveness of existing opportunities at linking appropriate mentors and new businesses and (3) opportunities outside of the high technology sector.

## FINDINGS

We believe the metro Denver economy is at a crossroads. Having weathered three of the most difficult years recorded, the metro area has begun to recover. Local business people believe the fundamentals that will drive the recovery are in place, but they also temper their expectations based on recent experiences. Findings driving this mixed assessment include:

- ▶ The Denver economy has diversified, and now moves more closely with national economic trends;
- ▶ Businesses that have innovated have already managed to take advantage of the recovery, experiencing growth in sales and employment;
- ▶ The fundamentals of the local economy are strong, with only transportation and taxation rated below average;
- ▶ The local entrepreneurial culture needs improvement, particularly the connections between local universities and the local economy, as well as the ease with which teams of attorneys, accountants, consultants and others are assembled.
- ▶ Networking in Denver is difficult, with accessing top officials at key companies being viewed as much more difficult than in other areas; and
- ▶ Denver business people believe that the city needs both additional "anchor tenants" and improved engagement in the local community and economy by existing headquarters companies. Incentives received mixed reviews, with some respondents viewing them favorably because they would presumably attract these anchor tenants.

## SECTION IV.

### INFRASTRUCTURE AND CAPITAL

The infrastructure underlying the local economy and the availability of human and financial capital are critical to the success of local businesses. They impact the cost of transactions, the ability of businesses to innovate and the general satisfaction of the workforce. Moreover, in many cases they consist of items that fit within government's responsibilities. The city has programs that touch on all of the key areas examined, from capital to transportation to education, and other government entities (such as Denver Public Schools) often play an even larger role in these areas than the city.

### ACCESS TO CAPITAL.

A theme that frequently emerges when talking to local business people is the difficulty of accessing capital. Comments encompassed the entire range of capital sources, "whether it's angel funding, VC funding, private equity, you name it, it's hard to find here."

The reasons behind the difficulty of accessing capital are varied. Some respondents felt that there simply are too few funds in Colorado. Others felt that existing capital sources were very conservative after having suffered losses in the recent downturn. Still others saw shortcomings in the quality of deal opportunities and the process of getting deals to capital sources. While a lack of good deals was reported in some cases, one venture capital firm reported seeing hundreds of qualifying plans competing for four slots in their firm in 2003. The consistent theme, however, was that capital is very difficult to come by for metro Denver businesses in the current climate.

A "backyard bias" of venture capital was identified by the recent *Denver in the Global Economy* study commissioned by the Office of Economic Development and reinforced by the city's focus groups. The study found that during a three month period in 2003, 12 of 29 deals done by Denver based venture capital funds were with Denver based companies, and 14 of 31 deals by Colorado based venture funds were with Colorado based companies.<sup>1</sup>

This bias, together with the limited number of Denver and Colorado based funds, means that local firms will need to look nationally for funding. During the telecommunications boom, Denver consistently ranked in the top 10 in venture capital financing, but 70 percent of financing reportedly came from out of state.<sup>2</sup> However, as one participant noted, when he visited funds in Atlanta, Boston and Palo Alto, "they don't want you to be here (in Denver)."

Many participants explored the topic further to identify particular holes in the capital system. These included early stage funding for all companies and gap funding for bioscience firms from which to take ideas from the research stage to the prod-

uct stage. Said one participant, "most venture capitalists right now will not do first stage. I think there's a real gap between the idea stage and venture capital and that's a long way for someone to live and breathe."

Capital formation discussions were not limited to equity financing. The banking community was also described as unduly "risk averse." Many participants felt that the consolidation of banks in recent decades has limited their willingness to lend to local businesses, although a few local community banks were seen favorably as focusing on community lending. Recent performance was said to have impacted bank decisions as well, as one participant noted that "I've had lenders tell me they're not making loans to Denver based businesses because their portfolio isn't performing." Changes to small business loan programs formed a second theme for these comments, with many concerns about how changes in Small Business Administration (SBA) loan programs have "made it hard to grow." Recent proposals to reduce or eliminate the funding for a number of SBA programs raised concerns among many businesses.

A number of organizations already exist to fill this capital gap. These include the Colorado Enterprise Fund, Micro-Business Development Center, City and County of Denver's Revolving Loan Fund and others. However, the resources available to these organizations, as well as their focus on loans, limits their ability of addressing the metro-wide need for capital sources.

While access to capital was seen as a major barrier to growth in Denver, participants also saw it as an opportunity for public and private action. As one person noted, "we need to think about capital formation in the same way we think about education and transportation." Particular ideas that emerged from the sessions were:

- Enhanced education of businesses about the appropriate sources of funding and the process of securing financing for their business;
- Mentoring to help shape deals into a form that will be compelling to venture funds;
- Networking and recruitment of larger funds, particularly the many funds with principals who have second homes in Colorado's mountain resorts;
- Meetings with local venture funds to encourage more proactive investment in Colorado that addresses the needs of the existing clients they have in the state;
- Assistance providing relatively small loans (\$250,000 or less) to businesses that have strong business plans but do not have the collateral for bank financing; and

- Mayoral meetings with large venture funds, principals with touchstone Denver companies and entrepreneurs to enhance the deal flow in metro Denver.

## WORKFORCE

### What we know

Denver’s diversity and abundance of opportunity attracts a skilled, well-educated workforce. Eighty-eight percent of the metro area population holds a high school diploma, while thirty-six percent have earned a bachelor’s degree. These numbers far exceed the national averages of eighty-two percent of the U.S. population holding high school diplomas and twenty-three percent holding college degrees. Denver’s educated workforce includes the second highest concentration of research scientists and engineers and the third highest number of science and engineering graduate students in the U.S. With seven universities and colleges serving the Denver metropolitan area, the investment in the regional workforce is on-going.

### What we learned

Denver business people have very few concerns about the current workforce in the metro area. Representative comments included “we have one of the highest educated populations in the country,” “Denver’s pretty attractive; it’s easy to get people to move here,” and “there’s a lot of great creative talent here.” While employment is viewed positively, most companies are not currently increasing their employment levels. Slightly less than half of people interviewed reported increasing employment, but employment levels were stable or better for more than 90 percent of the businesses interviewed.

The stability of employment may be at least partially due to general satisfaction with the workforce. When asked to assess the availability, quality, stability and productivity of the workforce on a scale of 1 to 5 (with 1 being low and 5 being high), respondents ranked each characteristic as a 3 or higher. Respondents also indicated that most of their training is done in-house, primarily for new skills training, with remedial training only being necessary in a few cases.

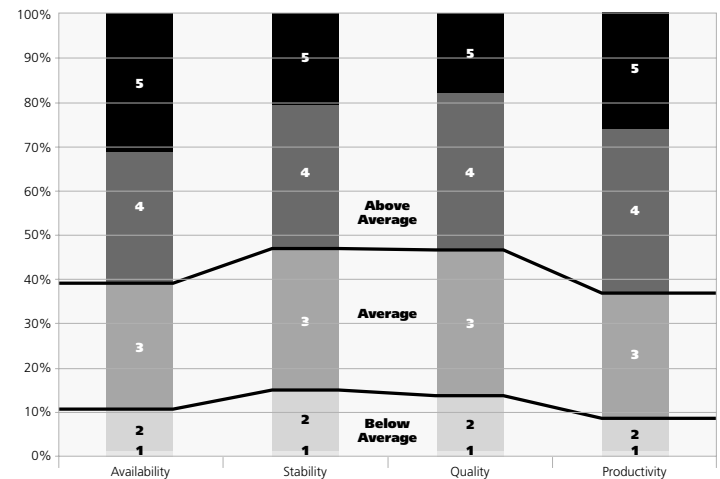
## Exhibit 4-1 Workforce and Training

Characteristic	Mean Ranking
Availability	3.79
Productivity	3.77
Stability	3.56
Quality	3.55

Training	Percent
In-House	74.15%
Outsourced	25.85%
New Skills	63.36%
Remedial	36.64%

The availability and productivity of the workforce was ranked higher than the quality or stability, but the differences were not significant. Across the board, business people saw the Denver workforce as performing at a high level. In no case did more than 16 percent of respondents have rankings of below average. In every category, more than half of respondents provided above average rankings of 4 or 5, indicating a high level of satisfaction with the workforce.

## Exhibit 4-2 Workforce Assessment



Slightly more than one-quarter of respondents reported difficulty filling particular positions or finding people with specific skills. Positions and skills identified as being hard to find included bilingual employees, drivers, general office skills and a wide variety of specialized skills. Of those companies without problems filling particular positions, many noted that their answer would have been very different three years ago when the employment market was tighter.

Only 15 percent of companies reported difficulty finding particular training programs, such as classes for English as a second language classes, financial training and a variety of industry specific programs. In general, however, training was seen as readily available and easy to find.

<sup>1</sup> Drs. Adams, Tucker Hart; DeMartino, George and Ilene Grabel, *Denver in the Global Economy, 2004*, pp. 60, 61.

<sup>2</sup> Comments of David Wolf, Managing Partner of Wolf Ventures, *DaVinci Institute Start Up Junkie Underground, July 26, 2004*.

While the workforce was seen as sufficient and reasonably priced, this was not the case three to five years ago, nor is it the case in selected pockets. Some participants reported difficulties hiring people with a high school education to work in a beverage plant and others have had a hard time finding commercially licensed drivers. The oil and gas representatives consistently indicated that there is a “brain drain” that will soon occur in their industry, as the average age is in the high 40s and early 50s.

Overall, despite the pockets of hiring needs, the workforce is generally viewed as an asset for the local economy. Employees are well educated and they generally perform at a high level. Employers are able to find the workers they need and they have the resources to provide adequate training. However, if the employment market improves, this assessment of the workforce will also change with employers finding it increasingly difficult to identify capable employees.

## EDUCATION

### What we know – K-12

As noted above, Colorado has one of the best educated populations in the country. However, that distinction is driven in large part by the area’s success at importing talent. Denver trails comparable school districts in Austin, Texas; Phoenix, Arizona; Raleigh, North Carolina and Seattle, Washington in a number of key indicators, most notable the Expansion Management magazine rating, which places the city’s schools in the bottom 10 percent nationwide. Denver’s SAT scores also trail comparable cities, while the drop out and graduation rates from Denver Public Schools are in the middle of the range of comparable cities.

### Exhibit 4-3

#### Denver and Comparable City Education Ratings

City	SAT Score	Drop Out Rate (1)	Graduation Rate (2)	Expansion Management Rating (2)
Austin	1,051	2.4%	71.0%	Blue and Gold
Denver	1,008	7.4%	64.9%	Red (bottom 10 percent of schools nationwide)
Phoenix	n/a	9.2%	55.0%	Blue, Gold and Green
Raleigh	1,061	4.7%	77.0%	Blue
Seattle	1,056	26.1%	64.2%	Green

Note: (1) In most cases, the annual rate of students who leave school during a single school year. Seattle appears to use a different methodology, showing a snapshot of the population aged 16 to 24 who dropped out at any time and did not complete high school.

(2) The graduation rate of a selected class of students.

(3) Expansion Management Ratings: Blue are the top 17 percent of schools nationwide, gold the top 33 percent, green the middle 48 percent, yellow the bottom 25 percent and red the bottom 10 percent.

Source: Opportunity Austin, Austin, Texas Business Climate Assessment, 2003.

Despite selected availability, data have not been updated to maintain consistency.

When compared to other Colorado school districts, Denver’s performance appears to be below average. Statewide high school graduation rates have risen gradually in recent years, from 79.8 percent in 1999 to 81.8 percent in 2002. In con-

trast, Denver Public Schools had a 2002 graduation rate of only 67.0 percent. The story is similar when comparing dropout rates, with Denver’s 4.0 percent rate in 2002-2003 exceeding the state’s rate of 2.4 percent.

### What we know – higher education

While K-12 education has struggled in Denver, higher education appears to be performing at a relatively high level. A study published in *The Economist* ranked the University of Colorado at Boulder (CU) as the 11th best public university in the world and the 31st overall. Investments continue at CU, including the development of a 227 acre medical research center on the site of the former Fitzsimons Army Medical Center.

Despite these accomplishments, there is uncertainty stemming from recent state legislation that fundamentally changed the funding structure for higher education, implementing the use of vouchers for in-state students. The long-term impacts of this change are unknown, but they will depend on a number of factors including the degree to which voucher amounts keep pace with tuition increases. Colorado has cut higher education funding by 22 percent in the past two years, compared to a national average decline of 4 percent, raising concerns about current and future sufficiency of the voucher program and higher education.<sup>3</sup>

### What we learned

The comments of local business people were consistent with the findings of the secondary research. Most respondents believed that Denver Public Schools does a poor job of educating its students. One person noted that when he moved to Denver last year, his Realtor told him “you don’t want to locate in Denver County for the schools.” Said another participant, “I’ve lived here for 32 years and I’ve never heard anything particularly positive about Denver public schools.” Another person had recently moved out of Denver, saying “my kid was not going to \_\_\_ High School, no way.” Recent Denver Post articles about differential graduation rates among whites and minorities at Denver’s high schools also struck a chord with many participants, who said they contributed to their poor assessment of Denver Public Schools.

In terms of higher education, opinions were mixed. While some people felt that “universities and colleges in the area certainly provide good graduates for us,” others were concerned about recent cuts in higher education funding. A number of people lay the blame at the feet of TABOR, which they saw as a key barrier in maintaining the state’s competitiveness. Strong universities were seen as a key factor in enhancing the business climate and as a fundamental asset to other strong growth areas, such as Boston and North Carolina.

The other commonly discussed topic relating to education was a perceived shortcoming among local technology trans-

<sup>3</sup> Scott, Rocky, *SB 189 and Public Education in Colorado, Wave of the Future or “Hail Mary” Pass*, Greater Colorado Springs Economic Development Corporation.

fer offices, as noted earlier. Participants felt strongly that we have to “build the research base and build research excellence” in order to catalyze a strong economy. Local technology transfer offices are perceived as not being sufficiently connected to the local economy and as not having a culture that rewards entrepreneurship, company formation or development of innovative partnerships with existing schools. Finally, Denver Public Schools was seen as a shortcoming both in attracting the current workforce and in preparing the future workforce. As numerous people indicated, “why would you come here if you could not educate your kids?” While the workforce is a key positive factor in the local business climate, it is endangered by the perceptions of Denver Public Schools.

Overall, the education system received mixed reviews but was identified as vitally important to the economic health and future of the region, with participants seeing advocacy for enhanced educational opportunities as a key agenda item for the city’s economic development efforts.

## **AFFORDABLE HOUSING**

### **What we know**

Affordable housing has emerged as an issue in Denver in the past decade. As of 2002, the Colorado Division of Housing found that the state ranked “third nationwide in home price increases” and “in the top ten least affordable states for rental housing.”<sup>4</sup> From 1990 to 2000, the median home price in Denver increased 11 percent per year, annual rate of increase from 1999 to 2001 grew to 15 percent. In 2003, the citywide average home price was reported as \$225,000.<sup>5</sup> In the fourth quarter of 2003, Denver’s housing costs were 111 percent of the national average.<sup>6</sup>

### **What we learned**

Affordable housing received a fair amount of attention throughout the study. Most participants had somewhat conflicting feelings about affordable housing. On the one hand, they understood the limitations placed on the economy by rising housing costs. These rapid increases in home prices in recent decades have made it increasingly difficult for business to attract workers at lower wage levels. However, they also saw increasing housing costs as the product of a strong economy. A majority of participants felt that local governments needed to continue their work to ensure the access to affordable housing for people in a wide range of occupations.

There was an important minority of participants who did not share the general concern about affordable housing. These individuals either felt that housing costs were not out of line or that it is not “the role of government to try and regulate real estate markets.” Rather than holding the commonly held view that “housing is through the roof here,” these individuals felt that “you can find housing at all income levels in different neighborhoods” and “the city already has (...) pretty impressive provisions for affordable housing.”

<sup>4</sup> U.S. Bank Community Update, Summer 2002.

<sup>5</sup> City and County of Denver, 2003 to 2007 Consolidated Plan.

<sup>6</sup> ACCRA, Cost of Living Index, Fourth Quarter 2003.

## **TRANSPORTATION**

### **What we know**

Denver has a history of aggressive investments in its transportation network. In the 1880s, recognizing the importance of transnational access, the city took the bold step of building a rail line to Cheyenne to link to the transcontinental railroad. This set the tone for future investments, including the construction of Stapleton in the 1930s, the construction of Denver International Airport in the 1990s and the funding of major mass transit and highway improvements in the late 1990s and early 2000s. With the presence of FasTracks on the ballot in November 2004, Denver voters may have the opportunity once again to make a substantial investment in their transportation network.

The 53 square mile Denver International Airport (DIA) is the only airport to be completed in a major metropolitan area in the United States in the past 20 years. In a J.D. Power and Associates 2003 passenger-satisfaction survey, DIA was the number one ranked airport in the U.S. and the number two in the world, behind Frankfurt Airport. In 2003, DIA was the fifth busiest commercial airport in the United States and the tenth busiest in the world. It provides non-stop service to over 130 domestic and international destinations and has the longest commercial runway in North America, accommodating fully loaded jumbo jets and expansion potential for international flights.

### **What we learned**

Comments about transportation were somewhat limited, as many business people currently see it as less of an issue than education, access to capital or the broader business climate. However, a number of concerns emerged about the existing and future transportation system. Four main topics were covered in this somewhat limited discussion of transportation:

- ▶ There were general concerns about traffic, primarily related to T-Rex, voiced most strongly by businesses with delivery people or maintenance staff who are on the road regularly;
- ▶ There were mixed feelings about DIA, with positive assessments of the flight availability but critiques of both the length of time that needs to be allotted to catch a flight and of United’s strong market presence, which some people saw as limiting competition and keeping prices artificially high;
- ▶ There was criticism of the downtown parking situation, although the reduction of meter costs and the availability of parking keys were both praised; and
- ▶ There was majority support for expanding the light rail system, both to reduce traffic and to lessen the burdens on employees to pay for parking. As one person commented, “expanding the light rail system should have been done a long time ago.” While many executives suggested that they would not use the light rail, they saw

it as a needed benefit for their employees and as a key mechanism of lessening traffic on the roads.

## OTHER INFRASTRUCTURE

In addition to the three major infrastructure topics, a number of items were discussed intermittently. These included concerns about how the Front Range's water situation would impact future development, discussions about power availability and praise for the local telecommunications infrastructure.

The water situation was seen as both generally worrisome in terms of the ability of the metro area to support development and particularly difficult for the beverage production industry. Colorado currently has the largest concentration of beverage production industries in the country. A beverage production representative noted that they will face substantial surcharges if they cannot reduce water consumption by 30 percent, but a 30 percent reduction in usage would mean a 30 percent reduction in revenues. Given beverage production's strong role in the metro Denver economy, this issue is worrisome and warrants additional consideration.

In discussing utility power, a number of companies near DIA had concerns. Air transportation companies raised concerns about availability, reliability and cleanliness of power, which can impact their ability to run flight simulators. A hotel manager near DIA reported an eight hour power outage that was not weather related, with Xcel Energy unable to give her a projection of when power would be restored. She estimated that she lost \$15,000, with customers declining to stay because of uncertainty about when power would be restored, rather than dissatisfaction with the power outage itself. Finally, one participant commented on the lack of a statewide goal for renewable energy, limiting the ability of these companies to pre-sell power to Xcel Energy or other users.

It is notable that telecommunications was not mentioned by any business person as an issue. The availability of a sufficient telecommunications network was only mentioned in response to specific questions, and in those cases, the responses were universally positive.

## KEY FINDINGS

The infrastructure and inputs underlying a local economy play a key role in its success or failure. If businesses can find the people they need, access the capital that is necessary to grow, train their future workforce and move goods and people efficiently, they have an opportunity to succeed. When any one of these items is not in place, businesses are faced with new barriers to overcome. In assessing infrastructure and inputs, a number of key themes emerged:

- Capital is seen as difficult to access in metro Denver, ranging from bank loans to angel investors to venture financing. The reasons for this difficulty vary, but it hampers the growth of local businesses and drives some successful firms to move elsewhere. Some business people called on the city to take a pro-active role in improving the capital formation climate, looking at it as a basic infrastructure item like education or transportation.
- Denver has a high quality workforce that meets the needs of local businesses. Regardless of the metric used, the workforce scores well in the eyes of local businesses. The presence of a talented workforce will help drive business growth in the near future.
- While the current workforce is well prepared, the education system needs to improve its preparation of the future workforce. Denver Public Schools receives poor to moderate ratings when looking at both quantitative and qualitative data. As a state, Colorado does not send its students to college at the rates seen in comparable states. Higher education is seen as relatively high quality, but there are significant concerns about funding cuts hampering the state's long-term competitiveness. Trends in the education system pose one of the most significant threats to the health of the metro economy.
- The transportation system has benefited from historical investments and performs relatively well. While there are some concerns about congestion, T-Rex receives praise and FasTracks receives significant support. If the metro area continues its historical pattern of investing in transportation, the network will continue to serve as an asset.
- Concerns about the current power supply and the long-term availability of water also emerged, although they are voiced less consistently than other infrastructure items. However, water availability is a significant item to monitor when considering the long-term growth potential of the region, particularly given the importance of the beverage production industry as a key local cluster.

## SECTION V. CITY SERVICES

After considerable discussion of the positives and negatives of the metro Denver economy, business people were asked to assess the degree to which the city of Denver makes it easy or hard to do business. This topic ties directly into Mayor Hickenlooper’s goal of achieving the highest customer service ranking in the country, and indirectly into the goals of creating 25,000 net new jobs, making the city of Denver a better place to work and assuring that the city lives within its means.

The city has recently consolidated a number of divisions into a large Office of Economic Development. This office includes the functions of business development, international trade, housing and neighborhood development, workforce development and small business growth. By offering this package of services under one roof, the city will be better able to enhance its service delivery to businesses.

### OVERALL RANKINGS

When they think of the city or local government at all, which is rarely, most business people believe it does an average or above average job. In many cases, it took prompting to solicit comments about the city, as it is seen as largely peripheral to the activities of many businesses. When asked to rank specific services on a scale of one to five (with one being low and five being high), five services ranked below average.:

- ▶ K-12 public schools;
- ▶ Regulatory enforcement (including business licensing);
- ▶ Workforce preparation;
- ▶ Permitting and development review; and
- ▶ City tax collection and payment processes

Three services achieved a ranking higher than four: fire protection, ambulance/paramedic services and water quality.

## Exhibit 5-1 Assessment of City Services and Public Schools (1 = low and 5 = high).

Service	Mean
Ambulance/Paramedic Service	4.34
Fire Protection	4.11
Water Quality	4.05
Stormwater Management	3.59
Police Protection	3.57
Public Transportation	3.52
Other City Services	3.38
Community Planning	3.32
Property Tax Assessment	3.13
Non-School Youth Programs	3.12
Traffic Control	3.09
Schools (K-12)	2.91
Regulatory Enforcement	2.82
Workforce Preparation	2.69
Permitting and Development Review	2.59
City Tax Collection/Payment	2.28

In the cases of permitting and development review and city tax collection/payment, over 40 percent of responses ranked it lower than average (1 or 2). While workforce preparation ranked low, this is linked to general satisfaction about the workforce and a feeling that workforce preparation is not a central city role. Other services were perceived as relatively average, with property tax assessment seen as overwhelmingly average – 46 percent of respondents ranked it a 3. The services that achieved low rankings in the survey also emerged consistently in interviews and focus groups as areas of potential improvement. Business people consistently identify four such areas: (1) internal communication around general regulations, (2) permitting and development review, (3) tax administration, and (4) levels of taxation.

### INTERNAL CITY COMMUNICATION

One of the two most consistent themes in discussing city services was that “there isn’t the connection sometimes between all these different agencies, (...) you go into a black hole sometimes.” Lack of communication was cited in particular situations (securing a liquor license for a temporary event reportedly took 27 man hours, because “no one really knew their job”) and in general communications. The consistent message was that “there is no common voice” in dealing with the city.

While some of the lack of a “common voice” can be attributed to the nature of a large organization, a number of comments reflected concerns about the attitudes of city employees as well. The best light cast on these concerns was that “I’ve often thought there’s lots of government positions where they just wear blinders.” A less generous assessment of these concerns was that “the attitude seems to be that businesses are there to serve them and it should be the other way around.”

## **DEVELOPMENT REVIEW, PERMITTING AND INSPECTIONS**

The single process that received the largest number of comments was the building permitting and inspection system. Some of these comments reflected the same concerns about internal city communications seen citywide – “some of us get caught in this tennis game between the building department and the fire department and the zoning department.” However, other comments reflected different themes, including the following:

- ▶ Consistency both between permitting and inspections and among inspectors was seen as a particular issue, with many stories of receiving approval in one place, only to have another individual raise questions about the same item or reverse the first action;
- ▶ The overall length of the process was seen as excessive, with a very smooth process taking months, and a more typical process requiring numerous reviews and a doubling or tripling of the timeframe;
- ▶ There is limited communication about permitting and development review requirements at the outset of the process. Many business people reported continually finding out about new requirements as they proceeded through the process; and
- ▶ The attitude of personnel received mixed reviews, with some respondents noting that “the planning and zoning people are very excited, with the right attitude” and the “top level is good,” but others commenting that “permit staff is entrenched” and “there are a few individuals in the building department that, frankly, it’s time to go.”

In a comment that summarized many of these themes, one participant described his experience: “It took an excessive length of time to get building permits. It was very nit picky. You’d submit plans 5 times, 6 times, 7 times, and then there was this debate within the city between what their current rules and regulations are that aren’t even printed out yet.”

It should be noted that planning and permitting fees were seen as reasonable, with applicants generally willing to pay more for a higher level of service. While additional resources will be helpful, some of the identified concerns will not be addressed simply by increased staffing. The process itself requires simplification and enhanced consistency in the minds of many participants.

## **TAX ADMINISTRATION**

A third theme that emerged in regard to city services was difficulty with the city’s tax administration system. These comments were much less common than those about internal city communications or permitting and inspections. However, when this topic came up, participants typically had involved discussions of very difficult experiences. A number of participants had been audited by the city’s sales and use tax

department. While some of these individuals reported positively on the approach of the auditors, others had less favorable stories. One individual reported an audit where the city initially claimed over \$1 million in back taxes. After spending \$150,000 fighting the bill, the company reduced the claim to \$40,000. The audit process was described as “lengthy, onerous and very unpleasant.” In numerous cases, participants raised questions about the cost/benefit relationship of the audit process. While recognizing that audits are necessary, they found the process unduly burdensome, very costly and highly adversarial. However, in a few cases auditors were described as “friendly” and “helpful,” despite the unpleasant nature of the process.

Other individuals claimed that auditors were collecting taxes on consulting services, development and maintenance services, internet sales and other non-taxable transactions. The imposition of these requirements put these businesses at a disadvantage to their competitors who had not been audited. Still others simply reported numerous audits in recent years and questioned the costs and benefits of the process. It is important to emphasize that these comments did not occur with the frequency of other city service themes, but the content of the comments was consistent. In most groups, one to two participants recounted stories of difficult audits that cost the company significant amounts of money and resulted in moderate revenues to the city, at most.

## **TAXATION**

In addition to the process of tax administration, a number of comments related to taxation and its role in driving up the cost of doing business. Since no one likes to pay taxes, participants were encouraged to move beyond simple disgruntlement with taxation to specific comments about the tax structure. These comments consistently fell into a number of categories:

- ▶ The occupation privilege tax was universally regarded as an annoyance, with particular ire raised by the name (“it offends my sense of fairness”). Repeatedly, participants questioned the justification for the tax and questioned its overall impact on the Denver economy. However, one respondent indicated that he would be happy to pay the tax, despite the name, if it went to a designated business related program. “If you want to use my head tax to pay for summer jobs for high school kids, be my guest.”
- ▶ The confusion of the metropolitan area sales tax system also was mentioned by numerous people, with uncertainty about what taxes to pay for which transactions. As one person noted, “there are 40 or 50 home rule districts which impose their own tax, and they have their own sets of rules.” This was seen as particularly difficult for very small businesses that sell in numerous jurisdictions but do not have office management or accounting staff to manage sales tax compliance.

- ▶ The use and personal property taxes were identified as being particularly burdensome by manufacturing and other equipment heavy businesses, with one person noting that the state’s “lack of manufacturing is largely due to personal property tax rates.”
- ▶ Related to the theme of taxation, however, there also were concerns that TABOR is “significantly hurting Colorado” due to the lack of available funds for core services. Businesses raised concerns about cuts to city and state services, particularly education, due to TABOR, but still had questions about the level of business taxation.

While such comments reveal some dissatisfaction with the system of taxation, most businesses expressed relative satisfaction with the city’s tax structure. Nearly half of respondents indicated that the tax system is “fair and equitable,” and over 80 percent termed it either fair or only “slightly burdensome.” Only 17 percent called the tax structure “overly burdensome.”

### Exhibit 5-2 Assessment of City Taxation

Description	Percent
Fair and Equitable	45%
Slightly Burdensome	38%
Overly Burdensome	17%

As noted above, head tax was the most common reason for dissatisfaction with taxation, with smaller concerns about the use and personal property taxes. Both were seen as burdensome on the local economy and limiting growth in general employment and in manufacturing investment.

### BUSINESS ASSISTANCE

In addition to assessing general city services, interviews also examined a number of forms of business assistance. Since most respondents in the personal interviews had participated either in the city’s loan program or in its Small and Disadvantaged Business Enterprise (SBE/DBE) program, they were well suited to evaluate these programs.

Respondents rated both programs above average, with the SBE/DBE program achieving a ranking above 4, due largely to the fact that nearly half of respondents ranked it a 5. Twenty percent of loan participants and 12 percent of SBE/DBE participants were somewhat dissatisfied with their experience in the programs, giving them rankings of 1 or 2.

### Exhibit 5-3

### Assessments of City Business Assistance Services

Description	1	2	3	4	5	Mean
Loan Program	11%	9%	17%	39%	24%	3.56
SBE/DBE Program	7%	5%	15%	24%	49%	4.02

When asked for specific comments on the programs, participants identified four potential areas of improvement:

- ▶ Numerous respondents indicated that the city should “streamline the paperwork” and “shorten the process” for both programs. In the case of certification, numerous respondents asked why completely new paperwork needed to be submitted with each renewal, rather than passing on an electronic version of a previous application and asking for changes.
- ▶ Also for both programs, respondents asked for on-line services. While some forms are available on-line, they wanted to be able to fill out and submit documents without printing them out.
- ▶ Customer service received mixed ratings, with some individuals commenting on it as a strength of the programs, while others felt that it could be improved. Specific suggestions included better education about the process, particularly in the case of loans, and quicker turnaround on customer interactions.
- ▶ Another group of respondents found that the amounts of money awarded by the loan program were insufficient for businesses to succeed. Regardless of the sufficiency, a number of respondents indicated confusion with how the loan program arrived at a particular dollar amount, and would have appreciated a better explanation.
- ▶ Finally, many respondents were disappointed by the lack of business generated by their SBE/DBE certification and wondered about the utility of the program if it did not result in contracts.

While these improvements were identified, numerous strengths were also highlighted for the programs. These included customer services, the follow-up by members of the certification staff, the helpfulness of some members of the loan staff and the simple availability of the programs. When asked to expand on this discussion and identify general gaps in business assistance, respondents indicated a variety of needs, including:

- ▶ Increased financial assistance, including greater access to loans and more transparency in the financing process;
- ▶ Streamlining of city processes to make it easier to work with the city;

- ▶ More support for organizations that help with business plans and incubate businesses; and
- ▶ Marketing assistance to help business owners find and advertise to potential customers.

When asked what one action the city could take to improve the local business climate, comments revolved around the same themes: taxes, transportation, parking and improving general business friendliness. In addition, a number of respondents identified increased access to loans as an important step for the city to take.

## KEY FINDINGS

The most direct actions the city can take to improve the local business environment involve its own service delivery. By making it easy to work with the city and do business in Denver, the city can clear the way for economic recovery. After talking to hundreds of business people about their experiences working with the city, a number of findings emerge:

- ▶ Most business people do not think of the city frequently. The city's actions are seen as peripheral to doing their jobs unless they are struggling with a particular city service or process. This is not seen as a bad thing, with business people wanting to engage with the city only when necessary, and to do so in a manner that is efficient, transparent and quick.
- ▶ General assessments of city services are good, with nearly every service seen as average to above average. Only permitting and development review received a below average ranking by a majority of business people contacted.
- ▶ The city's internal communication needs improvement. When working through city processes, many business people feel as if they are being sent from one department to another without any clear idea of the overall process or of each department's responsibilities.

- ▶ The permitting and development review processes receive consistently negative feedback. Complaints include lack of consistency among inspectors and between inspectors and permitting, a long process, some personnel who are difficult to work with and processes that put the burden on the applicant to facilitate internal city communication.
- ▶ Tax audits were described by a limited number of business people as painful and excessively expensive. While most businesses had not experienced an audit, the majority of those that had been audited had negative comments about the process.
- ▶ The level of taxation is generally seen as no more than slightly burdensome, with many people describing it as fair. However, concerns were raised about the occupational privilege tax, use tax and personal property tax, with each of these levies seen as putting a potentially unnecessary burden on businesses. Particular emphasis was placed on the occupational privilege tax, with businesses discussing it as an annoyance and an unnecessary drag on employment.

## SECTION VI. RECOMMENDATIONS

### ROLES OF CITY ECONOMIC DEVELOPMENT

The examination of the business climate presented in this report would be lacking if it cannot be tied to specific recommendations. To help move from analysis to recommendations, participants were asked to complete a worksheet that ranked the potential roles of the city's economic development office. The worksheet presented a list of 15 common activities undertaken by economic development groups and asked participants to rank five as high funding, five as moderate funding and five as low funding. Exhibit VI-1 presents the 15 items listed on the worksheet.

#### Exhibit 6-1

#### Potential Roles for City Economic Development

##### City Economic Development Roles

Ombudsman for city services
Provision of demographic data
Provision of market data
Low interest loans for individual businesses
Assistance with commercial real estate
Provision of incentives to attract or retain businesses
Central clearinghouse for business resources
Assistance finding employees
Workforce training
Advocacy for K-12 education investments
Advocacy for higher education investments
Advocacy for/provision of transportation
Enhancement of city infrastructure
Support of affordable housing
Provision of social services

In scoring the worksheets, high funding items received a 3, moderate funding a 2 and low funding a 1. An average score of 1 would indicate that everyone ranked the item low funding, while an average of 3 would mean the same for high funding. Exhibit VI-2 presents the top five items from all of the roundtables and their average scores. According to roundtable participants, the city should focus on these five items in its economic development agenda.

#### Exhibit 6-2

#### Top 5 Roles for City Economic Development

**(1 = no funding, 2 = moderate funding and 3 = high funding)**

Top 5	Average Score
Enhancement of city infrastructure	2.63
Provision of incentives to attract or retain businesses	2.50
Advocacy for/provision of transportation	2.26
Advocacy for K-12 education investments	2.24
Low interest loans for individual businesses	2.21

Each of these items is aligned with the themes discussed in this report:

- ▶ City infrastructure and transportation both relate to the need for enhanced transportation networks, and they also reflect a common sentiment among participants that cities should focus on what they do best;
- ▶ Provision of incentives sparked much discussion, with strong feelings both for and against incentives, but its strong showing rests on the assumption that we need to attract more large companies to Denver;
- ▶ Advocacy for K-12 education investments (and advocacy for higher education investments, which ranked sixth) reflect the high priority placed on education despite the city's inability to directly impact it; and
- ▶ Low interest loans relate to the financing gaps discussed.

In addition to relating to the themes that emerged from the focus groups, these top five items reflect a common assessment of what cities can do well. According to participants, they can focus on fundamentals, advocate and, in limited situations, address gaps in markets. However, they are not seen as effective at providing services that otherwise could be provided by the private market.

The bottom five items also reflected both the themes from the groups and strong opinions about the role of government. The lowest four items all received these rankings because of a lack of alignment with identified needs, as well as a belief that the private sector (or the Chamber of Commerce) can perform these services better than the city. It is also notable that none of these items were identified as gaps in the roundtable discussions. Exhibit VI-3 presents the bottom five options.

#### Exhibit 6-3

#### Bottom 5 Roles for City Economic Development

**(1 = no funding, 2 = moderate funding and 3 = high funding)**

Top 5	Average Score
Assistance finding employees	1.33
Assistance with commercial real estate	1.41
Provision of demographic data	1.53
Provision of market data	1.71
Provision of social services	1.70

It is notable that three of the top five items chosen are not typical economic development activities, and low-interest loans are often more closely identified with community development. Even the payment of incentives, the one truly traditional economic development activity highlighted, was chosen for its perceived relationship to attracting large "anchor tenants," not due to consensus about its effectiveness. These findings,

together with the significant discussion of a concierge system, suggest that the city should focus its economic development activities on:

- ▶ Maintaining and improving fundamental city services;
- ▶ Setting up a concierge system to make it easier to work with the city.
- ▶ Enhancing education;
- ▶ Addressing gaps in capital formation;
- ▶ Improving the local business climate, including technology transfer, engagement of large local firms, attraction of “anchor tenants” and improved networking and mentoring opportunities; and
- ▶ Advocating for better transportation networks.

These activities were viewed by participants as the highest value steps the city could take to enhance the local business climate.

## **RECOMMENDATION 1. CREATE A BUSINESS ASSISTANCE CENTER**

Based on the findings of this study, it is imperative that the city work to enhance the ease of navigating its processes. However, the reality is that these reforms will take time. Even when they are completed, the city will remain a large, complex organization. As a result, a Business Assistance Center should be established to assist businesses in working with the city (and, ideally, other levels of government). This office would be a “concierge” or ombudsman that would help businesses navigate city process and serve as an advocate for businesses as needed.

To maximize its value, this office could serve as a centralized business/government support center, with representatives (or information) from the state and federal governments as well. In addition to helping businesses navigate city services, staff could help register with Secretary of State’s office, apply for a federal tax identification number and locate governmental and quasi-governmental business assistance resources. Staff throughout the Office of Economic Development would be cross trained to support this concierge office.

A central, consistent point of contact would mitigate some of the uncertainty of working with government. The complexity of city, state and federal processes makes it difficult for businesses to know whether they are in compliance. As one individual noted, “I don’t know if I got them (city requirements) all; I’m still waiting for that nasty letter saying you didn’t pay your ...” An ombudsman or concierge would ideally remove the uncertainty inherent in working with the city, shorten the process and allow businesses to focus on what they do best.

## **RECOMMENDATION 2. FOCUS ON FUNDAMENTAL CITY SERVICES**

Economic development agencies have numerous program and service options that promise to enhance the local economy. When listening to business people, however, their message is simple – “focus on basic services.” One of the most common comments was that the city should “focus on what it does best.”

Three specific areas emerge for the city to improve its basic services. None of these activities are the direct responsibility of the Office of Economic Development, but they each represent steps the city can take to improve the ease of doing business in Denver:

- ▶ Improve the permitting and development review process to make it more customer-friendly. Specifically, shorten the time needed to navigate the process, place a high priority on improving coordination between different parts of the process and make it easy for the applicant to understand up front what will be required.
- ▶ Examine the tax auditing process to ensure that audits are fair, accurate and take as little time as process. Search for areas to limit the time commitments of businesses in complying with audits.
- ▶ Improve the tax administration system to allow for a single tax payment for various city taxes, including occupational privilege tax, personal property tax, real property tax and sales tax.
- ▶ Consistently search for methods to enhance internal city communication. This includes pro-active cross training to help staff understand the services of other departments, implementation of citywide contact management and trouble ticket systems and continual identification of opportunities for cross-functional teams.

## **RECOMMENDATION 3. EXAMINE OCCUPATIONAL PRIVILEGE TAX REVISIONS**

The city’s occupational privilege tax is generally seen as a nuisance. Revisions to the tax could include exemption of businesses during their first year of operation or exemption of businesses under a certain size. Alternatively, the revenue raised by the occupational privilege tax could be dedicated to particular activities, including summer jobs for Denver’s youth, business excise and licensing and similar services. The suggestion of dedicating revenues to a particular function emerged in a number of focus groups and was positively received.

#### **RECOMMENDATION 4. ENHANCE EDUCATION**

The city has no significant direct role in public education, whether K-12 or higher education. However, business people see education as critically important to the health of the local economy and they see the Mayor as able to advocate for important educational reforms. A number of actions are available for the city if it is to take an active role in enhancing educational opportunities in Denver.

- ▶ Advocate for selected K-12 educational reforms that will improve the opportunities available to Denver's students, such as the ProComp pay for performance plan that Denver Public Schools will put in front of voters in November 2005.
- ▶ Advocate at the state level for selected higher education initiatives that will improve Colorado's success at educating its students.
- ▶ Explore the possibility of working with the state to dedicate a share of the city's private activity bond allocation to the state's CollegenInvest student loan program. As part of this agreement, the city would dedicate those revenues to a student loan forgiveness program available to graduates of Denver Public Schools who receive college degrees.
- ▶ Continue to proactively search for opportunities to partner with Denver Public Schools and with the local universities to provide improved educational opportunities to Denver residents.

#### **RECOMMENDATION 5. ENHANCE ACCESS TO CAPITAL**

The difficulty in accessing capital was repeatedly voiced by small businesses in Denver as an obstacle to growth. The city has a number of opportunities to take steps towards improved access to capital in Denver.

- ▶ Through a newly created concierge/business solution center, educate businesses on the process of capital formation and refer businesses to the right resource, from micro-loans to banks to the city's loan fund to venture or angel funding.
- ▶ Create a Community Development Bank to provide capital to small, non-technological businesses and aggressively market its products, and those of similar institutions, to banks, small business organizations and business assistance programs like the Small Business Development Center, Mi Casa and the Denver Enterprise Center.
- ▶ Work to recruit large venture capital firms to open offices in Denver through networking events hosted by the Mayor. Bring together these firms with successful entrepreneurs and executives of large Denver companies and invite them to open operations here.

- ▶ Contract for a third party study to assess the sufficiency of capital resources in Denver and the knowledge of those resources among local businesspeople, bankers and service providers.

#### **RECOMMENDATION 6. IMPROVE THE LOCAL BUSINESS CLIMATE**

Shortcomings in the local business climate can be addressed through both symbolic and substantive steps. In improving the climate, it is important to both improve the ease of doing business in the city and to ensure that the perception of the city as a place to do business is enhanced. To this end a number of specific actions have been suggested.

- ▶ Host an annual business plan competition in conjunction with local business schools and in partnership with existing business plan competitions. This competition could focus on particular sectors such as existing businesses or particular areas, including companies using products that emerge from a local technology transfer office, real estate projects for targeted parcels, micro-loan businesses and others. Make the competition a significant media event hosted by the Mayor, with substantial cash prizes offered for each category and incentives for winning plans that locate their businesses in Denver.
- ▶ Participate in the Colorado Entrepreneurial Hothouse Initiative to undertake initiatives such as creation of a business incubator and improvements to technology transfer opportunities from area colleges and universities.
- ▶ Recruiting large companies is difficult at best, with movements of such companies unlikely in the near future. However, the need for "anchor tenants" emerged clearly from the research. To address this need, the city should develop strategic partnerships with existing business assistance organizations to make Denver a place where small businesses can grow into those "anchor tenants." In a small number of targeted cases, the city should recruit "anchor tenants" in industries where a concentration of such companies already exists in Denver. For example, recruit oil and gas companies that have operations in Colorado's mountains but do not have Denver based headquarters.
- ▶ Explore the possibility of starting a buyer-supplier network or taking on other initiatives to encourage local large companies to take a larger role in the local economy. Promote activities like internal financing of small businesses that were mentioned during the research project as innovative methods of spinning off businesses and engaging in the local economy in a significant fashion.
- ▶ Develop strategic partnerships to improve networking and mentoring opportunities for Denver businesses, including hosting Mayoral events with businesses in targeted industries and working with other organizations to improve mentoring for local entrepreneurs.

## **RECOMMENDATION 7. INVEST IN TRANSPORTATION INFRASTRUCTURE**

While transportation fits into the rule of the city focusing on what it does best, it also involves advocacy by elected officials. Transportation was not seen as a major concern, as long as the region continues its investments. Particular activities include:

- ▶ On-going investment in the city’s transportation infrastructure to ensure that the transportation network supports the needs of Denver businesses;
- ▶ Continued Mayoral advocacy for FasTracks to promote passage of what is seen as a key improvement to the area’s transportation network; and
- ▶ Proactive exploration of opportunities to advocate for or make innovative investments in the city transportation network, including implementation of key recommendations in the Downtown Multi-Modal Access Plan, the East Colfax Corridor Plan and other recent proposals for addressing transportation issues in Denver.

### **SUMMARY**

Many of the recommendations outlined above should form the work plan for the newly created Office of Economic Development. Others should be passed on to other departments for their review and implementation. In all cases, taking action on these recommendations will improve the local business climate, make it easier to do business in Denver and help create an environment where local businesses can create 25,000 new jobs.

### **Exhibit 6-4. Recommendations and Responsible Agencies**

#### **Business Assistance Center**

Create Business Assistance Center; Concierge Service	Office of Economic Development; Public Works
--	--

#### **Focus on Basic City Services**

Improve permitting/development review	Community Planning & Development
Examine tax auditing process	Treasury
Develop a single tax bill for businesses	Treasury
Search for communications enhancements	Office of Economic Development

<b>Examine Revisions to the Occupational Privilege Tax</b>	Treasury; Budget and Management
--	---------------------------------

#### **Enhancing Education**

Advocate for K-12 reforms	Mayor
Advocate for higher education initiatives	Mayor
Examine a DPS graduate loan program	Office of Economic Development
Proactively search for future partnering opportunities	Mayor; Office of Economic Development

#### **Capital Formation**

Educate businesses on capital formation	Office of Economic Development
Create a Community Development Bank	Office of Economic Development
Recruit outside venture capital firms	Office of Economic Development
Contract for a 3rd party study of capital availability	Office of Economic Development

#### **Improve the Local Business Climate**

Enhance entrepreneurial growth and opportunities	Office of Economic Development
Recruit selected, targeted “anchor tenants”	Office of Economic Development
Encourage local engagement (buyer/seller)	Office of Economic Development
Develop strategic partnerships to improve the business climate	Mayor; Office of Economic Development, others

#### **Transportation Infrastructure**

Ongoing investment in City infrastructure	Public Works
Advocacy for FasTracks	Mayor
Search for opportunities for innovative investments	Public Works

## **Appendix A**

### **Survey Participants**

#### **Company**

A and E Calling Cards  
A Massage inc  
Abo Cervantes Loos Priebe Architecture, Inc.  
Accelr 8  
Airport Baggage Center  
Airport Concessions, Inc.  
Alcente Express  
Allstate Sweeping  
American Family Insurance  
American Industrial Construction  
American West Construction  
Appaloosa Business Services, Inc.  
Appius Engineering LLC  
Architecture 2000  
Arrow Civil Engineers  
Artistic Companies  
Artists on Santa Fe  
Aspen Baking  
Auntie Anne's Pretzels  
Aztec Custom Rug  
BA Quality  
Bank One  
Barking Otter Design  
Baroness Coffee  
Barron Investment  
Bayaud, Inc.  
Bella Via  
Bennett Wagner  
Bethune/Goodhue & Associates Inc.  
BFPE  
Bison Enterprises  
Blossoms Fresh Flower Market  
The Bonham Group  
Boulder Beverage Red Rover  
Bouquets  
Breckenridge Brewery  
Breiner Construction  
BRT Protective Service  
Buchanan Yonushewski  
CA One Services  
Carlton Tech  
Catlyst Consulting  
CCI  
Central Fire Protection  
Centurion Wireless  
Chart, Inc.  
Cherry Creek Language  
Chi Investment  
Classic Metals, Inc.  
Clear Channel Airports  
Co Alliance  
CO Photonics Industry Association  
Colorado Designscapes  
Colorado Housing Association  
Colorado Residential Appraiser  
Colorado Serum Company

#### **Company**

Colorado Software and Internet Association  
Concessions International  
Continental Divide  
Cooley Godward  
Coover-Clark & Assoc.  
Corporate Training Center CCD  
Cosmopolitan Brad Café  
Covarrubias Construction  
CU Center for Biology  
Cybercon Corp.  
DAE LLC.  
Daniels & Patterson Corporate Search, Inc.  
Data Presentation Graphics, Inc.  
Denver Electric  
Denver Pizzazz  
Denver Telecom Jivavo Group  
Denver Urban Economic Development Corp.  
DIA  
Digital Reliance  
Digitorn, Inc.  
DOC/Solutions  
Dulaney Architecture  
Dwankert, Inc.  
E&H Professional Security Co., Inc.  
Eagle Direct  
Eagles Commercial Cons  
Ebags  
ELC Purchasing Assoc.  
Eldo, Inc.  
Eleanor Roosevelt Institute at DU  
Emilie Ailts Consulting  
Employer Services Group, LLC.  
Enhanced Capital Partners, LLC  
Entercom Denver Radio  
Environmental Demolition  
EquiVision International  
Escuela Tlatlaco  
ExecNet Properties  
Extended Presance  
Fancy to Fantasy  
Far East Center  
Fasick Concrete  
Findlay/Criss & Co.  
First Class Baggage  
First Western Trust Bank  
Flying Dog Brewery  
Fresh Art Gallery  
Frito-Lay, Inc.  
Furniture Room  
G Corporation  
G2 Analytics  
Galligan w/s Meats  
Gallun-Snow Associates  
Gates Corp  
Genesee BioMedical  
Genesis Laboratory Systems, Inc.  
Gilmore Construction Corporation  
Global Machinery  
Goog, Inc.

**Company**

Grande Washington  
Great Divide Brewing Co.  
Grey Wolf Architecture  
Ground Floor Media  
Hadji and Associates Consulting Engineers  
Hanifen Imhoff Mezzanine Fund,L.P.  
Hardiman Electric  
Harold Massop Associates Architects, P.C.  
Harris Kocher Smith  
Hayes Consulting  
HoistWorks, Inc.  
Holden Communications  
Holiday Chalet  
Home Away from Home  
Home Run Properties  
Host Works  
Human Services, Inc.  
Hyder Construction  
Ideal Electric, Inc.  
IHS Group  
Image builders  
Independent Traffic Inc.  
Inflow  
Information Technology Consultants  
ING  
Innovative Human Resources  
Integrated Systems  
Intellinet Interactive  
Interlink Worldwick  
Interlocken Construction  
International Chiropractic Center  
Internet Chamber of Commerce  
Intertech  
Iron Woman  
Isogenics  
IV Site Interiors, Inc.  
Jack 'n Grill  
Jackie Shumaker Photography  
Jackie Tran  
Janco  
Java Connection  
Johnson Mobile Welding  
Jose Garcia Construction, Inc  
The Kasten Group  
Kbeck Design  
KCG Comm.  
Kenneth A. Walker and Associates  
Key West  
Kimball Genetics  
Kronos, Inc.  
Kudrycki Designs  
Kumar, Inc.  
L.L.W. Janitorial  
La Casita  
La Jota - KJME 1390  
Laboratories at Bonfils  
Latitude 39  
Latuda Group  
LCT Associates

**Company**

Lei Co's  
Lentz Electric  
Lockheed Martin  
Lucero Real Estate  
Maaco Auto Painting  
MacBestos  
MBS Inc.  
McDonalds  
McDowells Antiques  
Mercy Housing  
Meritage Private equity  
Mexico City Lounge  
Meza Constructing  
Microsoft  
Miller & Associates Controller Outsourcing  
Mission Yogurt, Inc.  
Mobius Venture Capital  
MOCC DIA  
Moore Rental  
Morrison Consulting  
Mosher Sullivan  
Muir & Ass.  
Mundus Bishop Design  
Nano Business Alliance  
NECO Incorporated  
New Covenant Const.  
Old Western Paint  
Olive Software, Inc.  
One Source  
Oxlo Systems  
P Watts  
Pacific Ocean Marketplace  
Palace Construction  
Palace Drywall, Inc.  
Pappardelle's Pasta  
Parsec Group  
Payless Car Rental  
Peak Resources  
Pepsi Bottling Group  
Phillips Personnel  
Ping indentity  
Plastic Comm. Industries  
Platte River Art Services, Inc.  
Porras Engineers  
Post Modern Company  
Preferred Bindery  
Premier Bank  
Preservation Partnership  
Printing and Imaging Association  
Pure Perception Sports  
Quality Lining Company  
Qube Visual  
Quest Product Development  
R.C.A. Drilling  
Raycomm  
Raymond's Painting  
Real World Solutions  
Reddy Ice  
RedRocks Bar

**Company**

Reseutek Design  
Rhadius PC Architects  
Richman Upholstery  
RMES Communications  
The RMH Group  
Robinson Dairy  
Rockmount Ranch Wear  
Rocky Mountain Perk and Pub  
Roundtree Art  
Royal Development  
RTL Networks  
Runyan Inc  
Safeway  
Safeway Beverage  
Sample Food  
Santa Fe Electric  
Scott System, Inc.  
Scout Records  
Security Title  
Serioz Denver Style Pizzeria  
Set Point Systems  
Shops at 34th & York  
Skyport CO.  
Snelling Personnel  
Software Architects  
Solar Gemix  
Southwest Construction Supply & Sales Inc.  
Spinnex Consulting  
St. Maryland  
Stan-Mar  
Steelock Corporation  
Stefanie Jones Public  
Stefanie Jones Public Relations, Inc.  
Stephany's Chocolates  
Stone Enviromental Engineering  
StoneCrafting  
Summit 5  
Sunland Group  
Susan Vale  
Swisslog Translogic  
Team Electric  
Tech Denver Media  
Techeco  
Techniki Informatica  
Three Tomatoes Catering  
Townsend Management  
Trinity Grill  
TS Rentals LLC  
Ultra Clean Blinds and More  
Undergroup, Inc.  
United Business Commmunication  
University of Colorado at Denver  
University of Denver  
Upsher-Smith Laboratories  
Valen Technologies, Inc.  
Virginia Dubrucq AIA (LLC)  
Vista International, Inc.  
W3W3 Media Network  
Walnut Street Woodworkers, Inc

**Company**

Way Out West Inc  
Web Methods  
The Weitz Company  
Western Gas Resources  
Wilson Trucking  
Wolf Venture Fund III,L.P.  
Wong Strauch Architects  
Worldwide Express  
XO Communications  
Yakalo Solutions  
Yellow Cab  
Zenitram Traffic Service  
Zocola Shopping Center

Note: There are fewer than 369 companies in this list due to (1) duplicate attendees from some companies, (2) the desire of a few companies for confidentiality and (3) the decision by some roundtable attendees not to fill in sign-in sheets.

**APPENDIX B**  
**SAMPLE SURVEYS.**  
**I. Interview Guide**

**Interview Guide**  
**City of Denver Business Retention Interviews**

Thank you for taking the time to participate in this project. As you may know, Mayor Hickenlooper has set a goal of adding 25,000 new jobs to Denver's economy. To accomplish that goal, we need to develop a thorough understanding of Denver's business climate, which we will accomplish through interviews with over 200 Denver businesses. None of the information gathered in this interview will be directly attributed to you in city reports. If you would like complete confidentiality, please do not have the company or contact information completed. Thank you again for your participation in this important effort.

**General Information**

Company name:	Contact Name:
Contact address:	
Contact phone number:	Contact e-mail:
Company industry:	Number of employees:
Time operating in Denver:	
Basic description of company's products/services:	
<hr/>	

1. What is your company's greatest achievement in the past five years?  

---

2. Has the company produced new products/services/capabilities during the last five years?  
 Yes  No

3. Are new products/services anticipated in the next two years?  
 Yes  No

Please describe:  

---

---

4. Are total company sales increasing, stable or decreasing?  
 Increasing  Stable  Decreasing

5. Are export sales as a percentage of total sales increasing, stable, or decreasing?  
 Increasing  Stable  Decreasing

6. Where are your export markets?  

---

7. Does the company have overseas production? If yes, where is the overseas production located? Is it a contract production or a company facility?  
 Yes  No

Location:  
 Contract facility  Company Facility

8. Does the company plan to expand in the next three years?  
 Yes  No

If yes, when and by how many jobs?:  

---

## Business Climate

9. Do you anticipate federal, state or local legislation changes that will adversely affect your business in the next five years?

Yes  No

If yes, what changes? How will they affect the company?

---

---

10. Do you anticipate any federal, state or local legislation changes that will benefit your business in the next five years?

Yes  No

If yes, what changes? How will they affect the company?

---

---

11. Are there suppliers or services that would benefit by being located closer to this location?

Yes  No

If yes, company and location?

---

---

12. Are there customers that would benefit by being located closer to this facility?

Yes  No

If yes, company and location?

---

---

13. What are the metro area's strengths as a place to do business?

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---

14. What are the metro area's weaknesses as a place to do business?

---

---

15. Are there any barriers to growth in the metro area?

---

---

16. (If relevant) Does the attitude among executives at corporate headquarters toward this community as a place to do business differ from local management?

Yes  No

If yes, please explain.

---

---

17. Are there any reasons the community may not be considered for future expansion? If yes, please explain.

Yes  No

If yes, please explain.

---

---

18. What is the most important action the city could take to improve the business climate in Denver?

---

---

## Workforce

19. Are the projected employment needs for this facility increasing, stable or decreasing?

Increasing  Stable  Decreasing

20. On a scale of 1 to 5, how do you rate the availability of workers in this area, with 1 being low and 5 being high?

1  2  3  4  5

21. How do you rate the quality of workforce in this area (1 to 5, with 1 being low and 5 being high)?

1  2  3  4  5

22. How do you rate the stability of workforce in this area (1 to 5, with 1 being low and 5 being high)?

1  2  3  4  5

23. As compared to other company facilities, how would you rate productivity in this facility (1 to 5, with 1 being low and 5 being high)?

1       2       3       4       5

24. Is the company experiencing recruitment problems for any particular positions? Is it experiencing problems recruiting people with any particular skills?

Yes                                       No

If yes, what problems, positions, skills?

---

25. Are primary recruitment problems limited to this community or this industry?

---

26. Is company investment in employee training increasing, stable, decreasing or is there no company training?

Increasing                       Stable                       Decreasing                       No training

27. If investing in employee training, approximately what percentage of the training budget is for new job skills training? Remedial skills training?

New skills training \_\_\_\_%                      Remedial training \_\_\_\_%

28. If investing in employee training, approximately what percentage of the training program is provided in-house and what percentage is outsourced?

In-house \_\_\_\_%                      Outsourced \_\_\_\_% (To what providers? \_\_\_\_\_ )

29. Are there training programs that you need but are not available?

Yes                                       No

If yes, what programs?

---

### City Services

30. Please rate the quality of the following services provided by the community on a scale of 1 to 5, with 1 being low and 5 being high.

Service	Low				High	Don't Know
	1	2	3	4	5	
Police Protection						
Fire Protection						
Ambulance paramedic service						
Traffic control						
Stormwater management						
Public transportation						
Water quality						
School (K-12)						
Non-school youth programs (early childhood education, after school, etc.)						
Property tax assessment						
Community planning						
Permitting and development review						
Regulatory enforcement (fair and equitable)						
Other services (specify)						

Please provide us with information on any items you have rated a 2 or less. (If they have specific city requests, take them down and e-mail them to jim.carpenter@ci.denver.co.us as soon as you return from the interview.)

---

31. How would you describe the city's tax structure for businesses?

Fair and equitable       Slightly burdensome       Overly burdensome

If slightly or overly burdensome, what particular taxes?

---

32. On a scale of 1 to 5, rate your experience working with the city in the (loan program, certification).

1       2       3       4       5

What service was used (loan program, contracting, other)

---

---

33. What improvements could be made to the city's \_\_\_\_\_ (loan program, certification) that would improve the customer's experience?

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---

34. What are the strengths of the city's \_\_\_\_\_ (loan program, certification, etc.) that should be maintained and reinforced to reinforce positive customer experiences?

---

---

### **Business Assistance**

35. Have you used business assistance resources from the city or another provider?

Yes                                       No

If so, which ones and who was the provider?

---

---

Would you say they were very helpful, somewhat helpful or not helpful?

Helpful                       Somewhat Helpful                       Not Very Helpful

If they were not helpful, why?

---

---

36. What gaps do you see in the provision of business assistance resources in Denver? What types of assistance do businesses need that are not sufficiently available?

---

---

37. Do you have other comments you would like share?

---

---

38. Would you like to receive information about this project when it is completed?

Yes                                       No

If yes, please make sure an e-mail is included in the contact information.

---

Thank you for your assistance.

## II. Surveys Used in Roundtables

### Potential Roles for City Economic Development

Date: \_\_\_\_\_

Location: \_\_\_\_\_

Organization Represented: \_\_\_\_\_

The following are a list of potential activities for the city to undertake as part of its economic development efforts. We appreciate your input into prioritization of these activities. Please identify five activities as “high funding”, five as “moderate funding” and five as “no funding.”

1. Assistance with city services/regulations	High funding	Moderate funding	No funding
2. Provision of demographic data (target population, income)	High funding	Moderate funding	No funding
3. Provision of market data (lists of competitors, suppliers, etc.)	High funding	Moderate funding	No funding
4. Low interest loans to individual businesses	High funding	Moderate funding	No funding
5. Assistance with commercial real estate	High funding	Moderate funding	No funding
6. Provision of incentives to attract/retain businesses	High funding	Moderate funding	No funding
7. Central clearinghouse for business resources	High funding	Moderate funding	No funding
8. Assistance finding employees	High funding	Moderate funding	No funding
9. Workforce training	High funding	Moderate funding	No funding
10. Advocacy for K-12 education investments	High funding	Moderate funding	No funding
11. Advocacy for higher education investments	High funding	Moderate funding	No funding
12. Advocacy for/provision of improved transportation networks	High funding	Moderate funding	No funding
13. Enhancement of city infrastructure (public works, traffic and transportation issues)	High funding	Moderate funding	No funding
14. Support of affordable housing	High funding	Moderate funding	No funding
15. Provision of social services (homeless services, workforce services, etc.)	High funding	Moderate funding	No funding

# Assessment of Denver's Business Climate

Date: \_\_\_\_\_  
 Location: \_\_\_\_\_  
 Organization Represented: \_\_\_\_\_

1. On a scale of 1 to 5, with 1 being very poor and 5 being excellent, please rate the following:

	Low				High
Quality of available workforce	1	2	3	4	5
Stability of available workforce	1	2	3	4	5
Access to your customers	1	2	3	4	5
Proximity to your suppliers/partners	1	2	3	4	5
Transportation infrastructure	1	2	3	4	5
Communication/data transmission infrastructure	1	2	3	4	5
Level of taxation	1	2	3	4	5

16. What are the greatest strengths of metro Denver as a place to do business?

17. What are the greatest weaknesses of metro Denver as a place to do business?

18. Are there any barriers to growth in metro Denver?

19. What is the single most important improvement that could be made to metro Denver's business climate?

20. On a scale of 1 to 5, with 1 being very poor and 5 being excellent, please rate the following public services:

	Low				High
Police protection	1	2	3	4	5
Fire protection	1	2	3	4	5
Planning and permitting	1	2	3	4	5
Business licensing	1	2	3	4	5
Sales tax licensing	1	2	3	4	5
Workforce preparation	1	2	3	4	5
City tax collection/payment	1	2	3	4	5
Public education (K-12)	1	2	3	4	5

21. What are the greatest strengths of the City and County of Denver's service delivery for businesses?

22. What are the greatest weaknesses of the City and County of Denver's service delivery for businesses?

23. If you could change one thing about city service delivery, what would it be?