Denver Business Needs Survey & Report 2005

In 2004 and 2005, the City and County of Denver's Office of Economic Development surveyed over 2000 Denver businesses to understand their needs, how they are impacted by the local business climate and what they are looking for in city government. The study examined:

- Demographic information
- Projected growth
- Effects of local business climate on firm success
- Plans to expand or relocate
- Funding needs and experiences
- Satisfaction with city services and opinions about new proposed services

The survey revealed the importance of business and professional services in Denver's economy, the particular needs facing small, female and minority owned businesses and the importance of key city services in business success.

Business and Professional Services

Approximately 30 percent of Denver's businesses fall into the business services, financial services and professional services sectors. These businesses are the most likely to be growing, developing new products and experiencing profitability. Job growth is expected to be highest in these professional, clerical and sales occupations, with professional services the most likely sector to be hiring (followed by construction and business services). If Denver is to grow in the near future, business and professional services will likely be at the center of that growth.

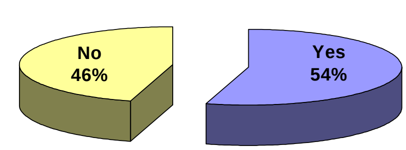
Small Businesses

In addition to the key business services sector, small businesses (with five to nine employees) reported the most rapid growth in the past 12 months, with this trend likely to continue. Nearly a third of these very small businesses are female or minority owned, compared to less than 15 percent of business with more than 100 employees. These small businesses have been least successful at expanding out of metro Denver (most of their competitors are local), face significant expansion barriers and find it very difficult to attract funding. However, their rapid growth rates make them key to city economic development strategies.

City Role

The city can play a role in supporting small businesses and professional services, which are the core of Denver's economy. Fifty four percent of all businesses surveyed interacted with the city in the past year, largely through permitting, licensing and tax functions. Nearly half of these businesses rated the service received average or worse, leaving significant room for improvement. While small businesses were less likely to have interacted with the city, the presence of gap financing and minority contracting programs offers a significant benefit to these smaller businesses.

Businesses who have had interaction with individuals/ agencies from the city of Denver?



As we continue to strive to make Denver a better place to do business, a number of steps are clear. The city should seek out opportunities to nurture the critical professional and business services sectors, reach out to small businesses with gap financing and priority procurement programs, and take advantage of the fact that over half of Denver's businesses come into contact with the city every year by making those transactions as efficient as possible.

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Profile of Local Businesses

- Female and minority businesses make up nearly 27 percent of all Denver businesses. They tend to be smaller than other Denver businesses and are more likely to be in need of financing. While they are located throughout the city, the largest share are located in central Denver.

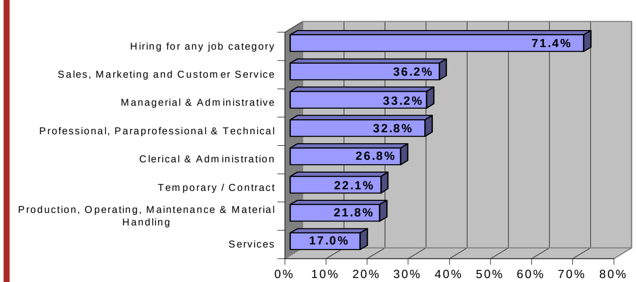
- Denver has proportionally fewer companies with more than 500 employees than competitor metro areas. While this may be due to higher levels of entrepreneurial activity, it likely presents challenges to smaller companies that tend to benefit from the presence of major employers.

State	County	Major City	% of Business with 500 or more employees (out of those with 10 or more employees)
Washington	King	Seattle	0.90%
Colorado	**Denver**	**Denver**	**1.00%**
Texas	Travis	Austin	1.03%
Arizona	Maricopa	Phoenix	1.14%
Utah	Salt Lake	Salt Lake City	1.15%
Illinois	Cook	Chicago	1.24%
Minnesota	Hennepin, Ramsey	Minneapolis/St. Paul	1.28%
Texas	Dallas	Dallas	1.45%

- Consistent with the Leeds School of Business's *Colorado Business Economic Outlook 2005,* the Professional and Business Services sectors experienced recent growth and are anticipated to continue growing in 2005.

- Over 71% of responding companies indicated a likelihood of hiring in the next six months, with high demand for employees in sales, management, professional and technical occupations. Among large employers, a spike in demand for employees is projected as a result of high hiring expectations of a number of large hospitals in the area.

Anticipated Hiring by Position

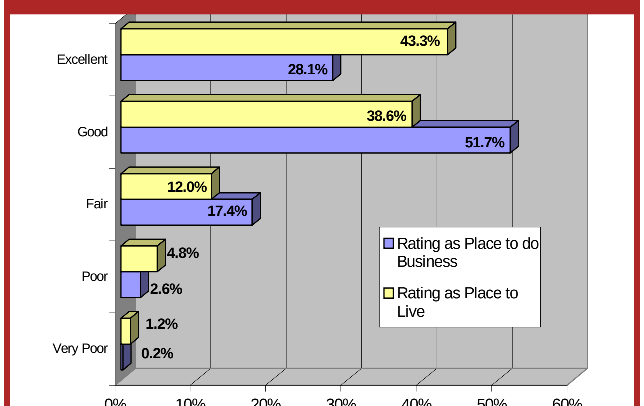


- Companies that are devoting resources to research and development are more likely to anticipate growth in the near future. However, this trend did not hold in the recent past. It may be that companies that have invested in research and development see themselves poised to take advantage of a recovering economy. While the buying power did not exist to propel their growth in the past year, their commitment to innovation is seen as likely to bear fruit in the next year or more.

Evaluations of the Local Economy

- A large majority of companies see Denver as good place to live and do business. The few exceptions to this included firms in the Construction, General Services, Manufacturing, and Wholesale Trade sectors. In these industries, nine percent or more of respondents saw Denver as a poor or very poor place to live, although in every case they had a more favorable impression of the city as a place to do business.

How Businesses Rate Denver



- Evaluations of the local economy's impact on the success or failure of specific businesses were mixed. While many respondents saw it as a neutral force in the success of their businesses, there also was a widespread belief that many competitors operated in regions with better economies. Over a third of the responding companies saw the local economy as having negative impacts on their businesses, including a substantial share of small businesses. However, the majority of surveyed businesses (83.7 %) were profitable in the last year.

- Denver's companies reported substantial competition from firms outside of the metro area. While it is to be expected that Agricultural and Manufacturing companies would have many out-of-state competitors, that was also true (to a lesser extent) for companies in the fast growing Business Services and Professional Services industries. This indicates a likelihood that these industries are importing significant revenues into the state and generating economic activity.

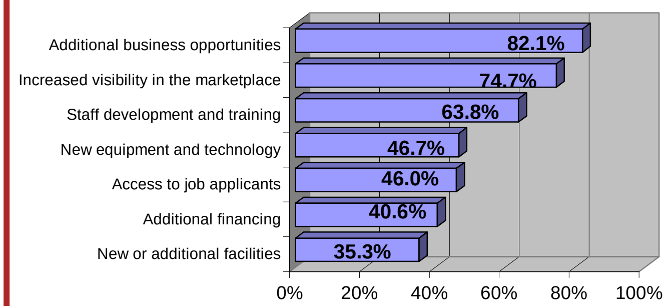
Expansion & Relocation

- Nearly half of all businesses foresee expanding in the next 12 months, with over 70 percent of these planning to expand locally. The most common industries for expansion were Health and Social Services, Business Services and Finance, Insurance and Real Estate. Only 6 percent of businesses plan to expand out of state and 7 percent will expand regionally.

- The primary barriers to expansion, aside from competition and new business opportunities, can be addressed by government. These include excessive or burdensome taxes, negative regulatory conditions, lack of responsiveness from local government agencies and availability of funding. Personal property tax is the largest tax barrier, followed by the difficulty understanding the local sales tax system and the Occupational Privilege Tax.

- Only 9 percent of businesses anticipate relocation, and only 3 percent will relocate elsewhere in Colorado (2%) or out of state (1%). By far, the most prominent reason for relocation is "inadequate facilities," cited by nearly 70 percent of the businesses that plan to move.

Business Needs for Expansion



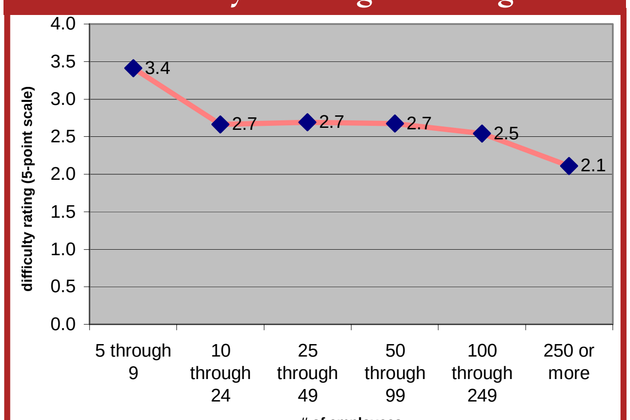
Expansion by Industry

INDUSTRY	% YES
Agriculture & Natural Resource:	30.4%
Business Services	60.4%
Construction	41.5%
Finance, Insurance, Real Estate	59.6%
General Services	51.6%
Health and Social Services	61.0%
Manufacturing	50.5%
Professional Services	57.4%
Recreational Services	42.0%
Retail	47.4%
Transportation & Communicatic	49.1%
Wholesale	43.1%

Financing

- One-third of businesses will need funding in the next year, with most of these looking locally for a commercial loan. Most businesses will borrow less than $500,000, although the size of financing is predictably related to the size of the business. Female and minority-owned businesses were three times as likely as others to need financing. However, because these businesses tend to be smaller than the business population as a whole, the dollar amounts needed were also smaller.

Difficulty Securing Financing



- Three-quarters of responding companies expect little to no difficulty securing needed funding, with Recreational Services and Finance, Insurance and Real Estate companies most concerned about their ability to secure funding. Among companies who had sought financing in the past 12 months, less than 15 percent saw this as a difficult endeavor, even though more than 20 percent did not receive the financing they sought.

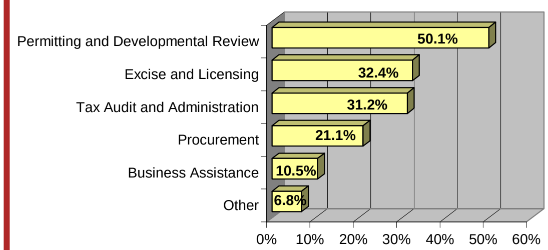
- While most companies did not anticipate difficulties securing funding, this was less true for small and mid-sized businesses. These firms were more likely to anticipate funding difficulties and were less likely to have been successful in previous funding attempts.

City Assistance

- Fifty-four percent of responding businesses interacted with the city in the past 12 months, with most working with the permitting and development review, excise and licensing, tax audit and administration and procurement systems. Satisfaction levels were moderate with service levels across all of these areas. However, strong support was reported for the nascent Business Concierge service, with a one stop system for business interaction with the city receiving particularly favorable reviews.

- Businesses were particularly interested in a one-stop system or liaison for interaction with a the City, a business directory to link small vendors with large companies and networking opportunities with other local executives.

Businesses interactions with the City & County of Denver



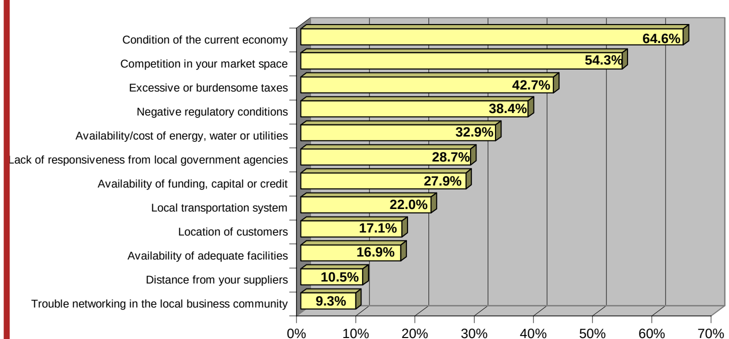
Next Steps

If the Denver business climate is to continue to improve, businesses will need to address the barriers to expansion identified in the survey, ranging from better navigating the existing competitive environment to approaches to addressing distance from suppliers. This will require strategic action on the parts of both the community and the city.

Community Actions

Key steps the community can take to support economic growth:

Factors Affecting Business Growth



- Seek opportunities for partnerships to enhance the competitive position of local businesses, such as strategically investing in suppliers to enhance the local supply chain.
- Support Denver businesses by purchasing locally or partnering with them on national projects can provide local economic growth. Seeking local business and research partners through the many strong companies and individuals in the Denver metro area can create greater success for all.
- Proactively develop training plans for employees
- Increase cross-industry networking opportunities, allowing businesses to interact efficiently with potential clients and funders.

City Actions

Local government has a unique opportunity to impact the business climate, as over half of Denver businesses interact with the City in some form every year. Moreover, the business people most likely to interact with the City are those in the business and professional services sectors, who are the core of Denver's economy. Next steps for the City could include:

- Supporting process improvements to enhance the efficiency of city services, including continued reform of the city's development review system, enhanced capacity to use internet transactions and others.
- Publicizing and targeting gap financing resources to spur economic growth among small businesses.
- Continuing to explore revisions to the city's tax structure to enhance the business climate.
- Continuing to play an active role in the implementation of FasTracks as well as development around transit stations to enhance the local transportation system.
- Targeting workforce assistance programs to the 70 percent of businesses who plan to expand in the next year, using recent expansion as a tool to examine likely future trends.
- Assisting businesses that plan to relocate as a result of inadequate facilities.