



## **THE ENTERPRISE ZONE:**

### **CRITICAL TO COLORADO'S ECONOMY AND ECONOMIC DEVELOPMENT**

The Enterprise Zone (EZ) is a state program that seeks to encourage economic development in economically distressed areas through the use of State income tax credits. As a tool which attracts investment, creates jobs and stimulates economic growth, the Enterprise Zone is critical to the Colorado economy. Utilized by businesses and community projects of all sizes and types, small and large, urban and rural, new and existing, it is the most comprehensive and impactful tool to stimulate the economy across the state of Colorado. The elimination of the Enterprise Zone would have far reaching and devastating effects on all Colorado communities, their economies and the State as a whole.

The case for maintaining the Enterprise Zone for the State of Colorado is overwhelming. It is, in fact, absolutely critical to Colorado's economy and its ability to grow.

The Enterprise Zone:

- Creates jobs and new capital investment for Colorado
- Stimulates economic growth in economically distressed areas
- Creates tax revenues for state and local governments
- Is critical to small business
- Is critical to rural Colorado
- Supports local economic development organizations
- Supports community development projects

Elimination of the Enterprise Zone will:

- Reduce Colorado's ability to attract new jobs and investment
- Send the wrong message to business and;
- Reduce State and local government revenues and is therefore detrimental to the State budget.

The State of Colorado and its economy, businesses, communities and citizens need the Enterprise Zone now, more than ever before.

In FY 2008 \$46.7m\* in tax credits returned:

- **\$128.7m in annual State revenue gains**
- **9,251 jobs and \$2.4B capital investment**
- **\$55m in private sector donations leveraged to local economic and community development programs. \*\***

*\*Source: Colorado Department of Revenue*

*\*\*Source: Colorado Office of Economic Development and International Trade*



## THE ENTERPRISE ZONE CREATES JOBS AND NEW CAPITAL INVESTMENT FOR COLORADO

In FY2008 9,251 new jobs and \$2.4B capital investment was created through the State Enterprise Zone programs. An estimated 55% of tax credits were utilized for primary job creation which brings new investment and wealth into the economy. The balance of the credits are used by the small businesses that support the larger primary employment base. Job creation and new investment has significant impacts throughout the State of Colorado.

**Tandy Parrish, SEBREA:** *“Bent County Correctional Facility is one of the largest employers in Bent County. They employ 234 people, and recently went through an expansion that added 44 new jobs with an additional 40 planned. In addition to the jobs, over \$10 million was spent on capital improvements. Warden, Brigham Sloan reports ‘When the State of Colorado published a request for proposal for additional prison beds, the Colorado Enterprise Zone played an important role in helping determine the location of those beds. The incentives provided by the state made it possible to locate these additional beds in Bent County, Colorado. Without these incentives it becomes difficult to justify building further from major metropolitan areas.’”*

**Cathy Schulte, Upstate Colorado Economic Development:** *“Vestas America is locating a new 470,000 SF windmill blade facility plus a new 280,000 SF nacelles manufacturing facility on 176 acres in rural Weld County just north of Brighton. The project will create about 1,400 jobs at a total investment of approximately \$295 million. The facility-wide average wage is expected to be \$38,000. This site is located within the EZ which was one of numerous incentive programs that the company weighed in their location decision.”*

## THE ENTERPRISE ZONE STIMULATES ECONOMIC GROWTH IN ECONOMICALLY DISTRESSED AREAS

The location of the Enterprise Zones (determined by unemployment rates and income levels) encourages businesses to establish themselves in economically distressed areas. In addition EZ tax credits for rehabilitation of obsolete commercial buildings enhance the real and personal property tax base while increasing the values of surrounding neighborhoods.

**Cathy Shulte, Upstate Colorado Economic Development:** *“Leprino Foods has announced plans to locate a 400,000 SF cheese processing facility on 98 acres of blighted land in eastern Greeley. The project will initially create 260 jobs at a total investment of \$122 million. At full build-out employment is expected to reach 500. The facility-wide average wage is expected to be \$37,900. This site is located within the EZ, which was one of numerous incentives that the company weighed in their location decision.”*

**Sigfrid Ruz, Plant Manager, Pikotek (Jefferson County):** *“Enterprise zones are valuable to companies and offer key benefits that include location, amenities and incentives. They are conveniently located close to major city arteries, making access easy, yet close enough to*



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*communities where employees can and do live. Surrounded by a multitude of necessary businesses, they facilitate commerce (Home Depot, restaurants, supplies, electronics, etc.). Eligibility for incentives such as property tax reductions makes enterprise zones financially advantageous as well. The combination of such benefits makes enterprise zones a great value for businesses and can help cities plan for growth and development.”*

## **THE ENTERPRISE ZONE CREATES TAX REVENUES FOR STATE AND LOCAL GOVERNMENTS**

The impact of the Enterprise Zone program on tax revenues for both state and local governments is significant. For example, in FY2008 state income and sales tax revenues from new jobs created by the Enterprise Zone is estimated at \$30.9m. State sales and use tax on EZ business investment is estimated at \$53.2m. City, County and school property taxes on EZ business investment in FY2008 were as follows:

- \$26.1m in new tax revenue for school districts
- \$13.1m in new tax revenues for counties
- \$5.4m in new tax revenues for municipalities

A total of \$128.7m of tax revenues were created at a cost of \$46.7m to the state.

## **THE ENTERPRISE ZONE IS CRITICAL TO SMALL BUSINESS**

Over 5,000 businesses benefit, on average, each year from the Enterprise Zone. Of these, 99% are ‘small business’, as defined by the Small Business Administration. Other State incentive programs require minimum numbers of jobs to be created within a time frame that is often unachievable by small business. Therefore the Enterprise Zone is the State program most beneficial for job growth in small business.

**Vicki Powell, Here’s Your Sign, small business owner:** *“Most small businesses fail within the first two years and even fewer survive for five. Without the assistance provided through SECED and the Enterprise Zone designation, I would not have been able to sustain my business through the economic problems facing the county or the nation.”*

## **THE ENTERPRISE ZONE IS CRITICAL TO RURAL COLORADO**

The breadth of the EZ is unmatched by any other economic development tool in the State of Colorado as it provides significant benefits to both rural and urban areas. No other State program is as beneficial to rural business as the Enterprise Zone and in many cases it is the only tool available to rural business development programs. In 2008 66% of Enterprise Zone certified companies were from rural areas and 48% of the tax credit amounts flowed to rural Colorado. Furthermore the Enterprise Zone is becoming



increasingly important to rural Colorado as the number of companies utilizing rural tax credits has grown 17% in the last decade.

**Deana Sheriff, Delta County Economic Development:** *“Getting rid of the Enterprise Zone would be detrimental to business in rural Colorado, simply because we already have so few incentives to work with. Rural communities rely on the Enterprise Zone tax credits to give them a “cushion” against the costs of expansion and hiring employees and it helps economic developers to “level the playing field” between small, rural communities and larger urban areas against which, for various reasons, it is so hard to compete. The Enterprise Zone enables rural communities to offer something to businesses that would like to locate outside of a metropolitan area.”*

**Matt Heimerich, Heimerich Farms and Crowley County Commissioner:** *“My wife and I own and operate a small irrigated farm in Crowley County, Colorado. We have been farming in Crowley since 1987 and owned virtually no equipment when we started. I have been able to acquire a respectable line of reliable equipment that allows us to run a successful forage and grain farm. I have always believed that putting money back into my business makes good sense, and is a good investment. The 3% State Investment Tax Credit is a very valuable tool to make the purchase of capital intensive equipment more economical. It helps accelerate the payback period and frees up cash for vital inputs like seed and fuel. I have purchased well over \$150,000 of equipment that was eligible for the Enterprise Zone Investment Tax Credit Program and can guarantee that those tax credits were reinvested back into our business. I would encourage the state policy makers to think long and hard about discontinuing this business friendly program.”*

**Stan Whinnery, Hinsdale County Commissioner:** *“As a rural enterprise zone, we hope to use these additional tax incentives to attract businesses to our county. This is an important aspect of our economic development plan.”*

**Darcy Trask, Craig Moffat Economic Development Partnership:** *“The Craig Moffat Economic Development Partnership works to support a healthy, vibrant, and diverse economy for the citizens in Moffat County. As an economic development organization in a very rural and remote area of Colorado, we understand that our region’s small businesses have special challenges that many of their urban and Front Range counterparts don’t face. We believe the Enterprise Zone tax credits are important because they are aimed at encouraging economic development and business activity in areas like Moffat County. These credits are valued and have particular importance to challenged rural economies.”*

## **THE ENTERPRISE ZONE SUPPORTS LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS**

EZ tax credits are given to businesses contributing to local economic development organizations resulting in significant and positive impacts for community job creation programs. Not only do the tax credits encourage local businesses to support and invest in their local economy, the tax credit is immediately leveraged four times and provides a strong return on investment for the State of Colorado.



Without this tax credit, many of the local business owners would not be able to give as generously to economic development efforts in their communities. In many cases local programs are small, one-person economic development offices running on minimal resources. Even a small cut in their budget could eliminate the office entirely and with it any local job creation and business assistance.

**Ann Driggers, Grand Junction Economic Partnership:** *“The contribution tax credit is an integral part of fundraising for our public-private economic development program in Mesa County. Without a doubt the tax credit encourages local businesses to invest more in their local economic development programs. When the tax credit was reduced from 50% to 25% in 1996, we saw a drop off in contributions. If the Enterprise Zone is eliminated we would really struggle to obtain funding for our local program. In our current economy we need to be investing more in our job creation programs, not less.”*

**Lisa Trigilio, Bent County Development Foundation:** *“In rural Southeast Colorado, attracting and retaining businesses is extremely difficult. The Enterprise Zone program is one of our only options and by discontinuing this program, it will be devastating to our area. Bent County Development Foundation, one of the designated projects of the EZ, has a mission to increase the general economic activity and improve the quality of life for existing and future residents of Bent County. Without the EZ tax credit offered to the contributors to this project, our foundation would suffer and may even be forced to dissolve.”*

**Marian Hollingsworth, Lake City DIRT:** *“Private donations to nonprofit organizations are always subject to the whims of the economy. Enabling our benefactors with additional Colorado state tax benefits allows them to keep some of their tax dollars in their own community. This benefit provides an extra incentive to donate towards our economic development projects.”*

## **THE ENTERPRISE ZONE SUPPORTS COMMUNITY DEVELOPMENT PROJECTS**

Numerous local non-profit and community development projects are supported by the same 25% contribution tax credit, without which the ability to raise funds within the local community would be significantly impaired.

In 2008 almost 26,000 donors contributed \$55m in exchange for only \$12.2m in tax credits. Donors can also be large corporations from outside the local community or even the State. These new monies create an even greater return on the State’s investment.

**Neil Marciniak, Economic Development Specialist, City of Lakewood:** *“Private sector in-kind contributions in the Lakewood Industrial Park have totaled \$1,041,285 since 1995 with \$130,160 in corresponding State Income Tax Credits being claimed. Use of the Lakewood Infrastructure Project at this location has leveraged more than \$35 million in private investment since 1994.”*



*Today, renamed the Lakewood Technology Park, it is home to nearly 3,000 employees and more than 80 employers, the majority of which are primary. During 2007 and 2008 alone, CaridianBCT, formerly Cobe and Gambro has added more than 800 employees at this location. Early investments made possible by the Lakewood Infrastructure Project helped to engrain CaridianBCT in the Enterprise Zone. Further private sector investment will be leveraged in the coming years as the West Corridor Light Rail will pass through and have a station at the Lakewood Technology Park.”*

**Neil Kaufman, National Center for Craftsmanship:** *“NCC is a non-profit Enterprise Zone project located in Fort Collins (Larimer County EZ) which provides education, training, research and community service to support the retention and extension of craft skills excellence at the local, regional, and national levels. This innovative program has become a model for workforce and economic development that provides economically viable and rewarding career opportunities for participants.*

*Our program both relies upon and provides compelling evidence that the Enterprise Zone incentives available to donors, provide valuable, tangible benefits to our community. Specifically, our program has been instrumental in assisting 3 young men from our local adjudicated youth program in finding employment in the construction industry this year. Additionally, we have partnered with Larimer County Community Corrections on our DreamBuild program to train 30 women inmates transitioning from the criminal justice system. The loss of the Enterprise Zone tax credits would negatively impact our efforts and the community by removing one of the few legitimate career skills training programs that assist the most at-risk, needy populations we serve. The EZ credits that are available allow businesses and property owners to invest in our community workforce while at the same time helping to move people off public assistance and out of the criminal justice system. This investment is small relative to the return. Clearly the State has a vested interest in helping the most at-risk populations move from public assistance (i.e. tax revenue consuming) to self sufficiency (i.e. tax revenue generating).”*

**Steve Robinson, Director, Lake Fork Health Service District:** *“The medical center is a required community resource for Lake City. Since this was identified as a Contribution Project, we have been able to interest more donors in our renovation & expansion project.”*

## **ELIMINATION OF THE ENTERPRISE ZONE WILL FURTHER REDUCE COLORADO'S ABILITY TO ATTRACT NEW JOBS AND INVESTMENT**

In today's economy the competition for jobs and new investment is fierce. Other states and countries have significant incentives and competitive advantages that are difficult for Colorado locations to overcome. The site selection process, for the most part, hinges upon the bottom line. Projections are



routinely calculated over a ten year period, and differences between communities when it comes to utility rates, labor rates, taxes, and so on, are made very evident. Incentives, of which the Enterprise Zone is one of the very few available in Colorado, are needed to fill the gap. Many companies request sites only in Enterprise Zones as they are widely available across the U.S. However, even with the Enterprise Zone in place, Colorado struggles to compete on the national and global stage making the following communication an all too common occurrence for economic developers in the State of Colorado:

**Unidentified company considering a site in Colorado:** *“The overall tax situation in Colorado is very unfavorable, when compared to Texas and Georgia for all three categories of tax: personal property tax, real property tax, and income or franchise tax. We considered all incentives that we could reasonably foresee taking advantage of, and calculated our tax burden for ten years. After considering all incentives, the site in Greeley, Colorado is between \$1.0 and \$1.7 M more expensive per year than the other two states. Over ten years, this equates to a disadvantage of \$10M - \$17M. Based upon this information, I must recommend to our Management Board that we exclude the state of Colorado.”*

The reality is that for some projects Colorado is unable to successfully compete with the limited incentive tools currently in place. Eliminating the Enterprise Zone will make the state even less competitive and erode the economic viability of Colorado as a business location.

### **ELIMINATION OF THE ENTERPRISE ZONE SENDS THE WRONG MESSAGE TO BUSINESS**

Businesses need dependability and predictability. Business owners need to be able to count on promised incentive packages and state programs. The elimination of such programs not only impacts a business’s bottom line, but also sends a negative message about the business environment in Colorado – that the State does not honor its commitments and business is not welcomed, needed or appreciated.

Breaking the trust of the business community will close the doors of Colorado, sending a message to business owners that we are not a business-friendly state. At a time when we need to encourage business to expand and make long-term investments in Colorado that is a message our state cannot afford to send.

### **ELIMINATION OF THE ENTERPRISE ZONE WILL BE DETRIMENTAL TO THE STATE'S BUDGET**

It might seem logical that elimination of tax credits would assist the State in bridging the gap in its budget. In fact the opposite is true.

The Enterprise Zone program allows for tax credits to be carried forward into future years. This means a business which is incentivized to create jobs now, may not take the associated tax credit in the current year. In such economic times as these corporate profits are much reduced or non-existent, making this



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scenario most likely. Therefore the State will not save the funds associated with the tax credit if it eliminates the Enterprise Zone. Simply put, cutting the amount of tax credits awarded by the Enterprise Zone will not translate into an equal increase in State revenues.

Furthermore, in difficult economic times business needs to be encouraged to expand, create jobs and make new capital investments. Without business assistance and incentives such as the Enterprise Zone, economic growth is much less likely to occur. The State economy will fall further with revenues continuing their downward spiral.

Since the costs of the Enterprise Zone programs are much less than the net gain, the logical action would be to increase funding for economic development programs in order to stimulate economic growth during a recession.