

Incentives, microloans pay off for Boulder, local businesses

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Celestial Seasonings considered moving to Longmont when it decided to expand, but stayed in Boulder in part because of a business incentive offered by the city.

IBM also decided to locate a new customer service center at the Boulder campus, eTown stuck with Boulder after being courted by Fort Collins and restaurant supply company Tundra Specialties chose a new location in Boulder when it decided to expand.

Business incentives offered through Boulder's flexible rebate program helped the city keep all those companies here, said Liz Hanson, Boulder's economic development coordinator.

"The program is doing exactly what we intended it to do," she said. "Keeping primary employers in Boulder is really key to Boulder's financial health. Many cities these companies are evaluating have much larger incentive packages. It gives us something to put on the table for discussion."

The flexible rebate program is one of the city's business incentives, first approved by the City Council in September 2006. The program covers a wide range of fees and equipment and construction use taxes. Once companies are approved for the program and pay fees and taxes to the city, those fees can be rebated up to the amount approved by the city manager.

The Boulder Economic Council recently reviewed the 2009 program, calculating a return on investment for the seven participating companies, which received \$209,979 in rebates. On average, according to the review, the program provided an average return of \$28 in sales taxes for every \$1 the city spent. The city is expected to recoup \$5.6 million in three years, according to the analysis.

The seven participating companies in 2009 were Celestial Seasonings, eTown, IBM, Sea to Summit, Stratom Inc., Tundra Specialties and Visionlink.

Of the seven, only two generated a large return on investment. IBM generated about \$134 per dollar and Celestial Seasonings generated \$18 per dollar. The rest ranged from about \$6 to about \$1 per dollar.

Shelley Dunbar, co-owner of Sea to Summit, said her outdoor products wholesale company outgrew its original Boulder location, prompting it to apply for a rebate to offset the cost of finishing an existing shell of a building that more than doubled the company's space.

"It's pretty expensive to locate in the city limits," she said. "It allowed us to stay in Boulder rather than go to a less expensive town."

For 2010, five companies submitted applications for rebates prior to the Dec. 1 deadline -- Covidien, Spectra Logic, Trada, Microsoft and Rally Software. Covidien and Spectra Logic both were approved, while the other three are pending. The city budgeted \$350,000 for the program.

The city also evaluated its microloan program, a partnership between the city and local banks and the Colorado Enterprise Fund that started in June 2009 to address the needs of small businesses during the economic downturn. The program gave \$325,000 to 11 small businesses, including a hair salon, a child care center and a dog daycare business.

"It was very successful," Hanson said. "It's companies that just needed a little more access to capital."

She said the city now is working with banks to try to raise money to offer a second round of loans.

One of the recipients was Cafe Aion, a restaurant that opened in the University Hill area in April. Dakota Soifer, one of the owners, said he didn't have many options for raising start-up money.

"The bank sort of giggled when we asked about a loan," he said. "We were in a difficult situation."

So the owners applied to the city and initially were denied, but later were approved on appeal for a \$25,000 loan. The Mediterranean themed restaurant opened in April.

"It was really nice to feel the support from the city," he said.

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