Regional Economic Development in Metro Denver

Creating a diversified economy
“Imagine a great city.”

Campaign slogan of
Federico Pena
Newly elected Mayor of Denver
1986
The Situation - 1985

- Worst recession since Great Depression
- 37th least diversified state economy
- Industries: oil, gas, defense, beer, and ag
- 31% downtown office vacancy rate
- Net out-migration – 43,000
- Airport – biggest choke point in the U.S.
- Losing market share in conventions
- Inwardly looking, all white, male business leadership group
2nd worst air in the nation
“Denver economy: You can’t fall off the floor.”

Headline in Forbes magazine, 1986
History

• 1987 – Denver Metro Chamber creates Greater Denver Corporation as region tumbles into deep recession

• 1989 – GDC-funded Metro Denver Network wins nation’s highest award in economic development

• 1996 – Greater Denver Corporation/MDN end nine year run – **over 400,000 jobs created**. MDN folded into Chamber structure. Becomes Metro Denver EDC in 2003
How did they get there?
Vision Counts...
“Without Vision the People Perish”

-Proverbs-
“Without vision, accidents happen.”

- LensCrafters -
“I never really got that vision thing.”

George Bush, Sr.
We were chasing prospects so hard that we chased them to Scottsdale and Dallas.

“Finger pointing season” Who’s fault is it?

Local EDOs proliferated further heating up of the competition for prospects.

“If you want to keep getting’ what you’re gettin’, keep doin’ what you’re doin’.”
Wanted: A New Vision

Rule #1: Dream BIG!!!

“They say you can’t raise money in Paradise. If that’s the case, we ought to be able to raise a lot of money.”

Dick Schlossberg, President, The Denver Post, first Chair of the Greater Denver Corporation
The Metro Denver Network

New Vision....New Energy
Economic Development = IFR

I Follow:
- Rivers
- Railroads
- Roads
- Resources
- Instrument Flight Rules

I Follow:
- Information Fiber Routes
- Readin’, ‘ritin’, ‘rithmetic
- Rooftops
- Rich people
What Are the Key Location Factors?

- Labor availability & quality
- 60 minutes from international airport
- Good transportation systems
- Close to markets
- Tax & regulatory climate
- Education systems and programs
- Business friendly governments
- Available business services
- Adequate suppliers
- Low unionization rate
- Quality of life
- Incentives
We knew we had unique opportunities if we could bring the community together.

- New Convention Center
- New roads and, possibly, mass transit
- New international airport
- Cultural facilities good but needed help
The Big Plan

• Create a collaborative, regional economic development program
• Build a new convention center
• Build a new international airport
• Support improvements in transit
• Save our cultural venues and make urban center the “retail window” for the region
• Clear the air
• Market the region aggressively to targeted firms that match our assets
The Strategy

• Use public works projects to build our way out of the recession

• Create a “culture of cooperation” that would allow us to think and act regionally, thereby creating more jobs and a more efficient economy

• Get some near-term “hides on the wall”, but never lose sight of the goal: “Diversify the economy and NEVER, EVER, go through this type of downturn again!!!”
“A Recession is a Terrible Thing to Waste.”
Region was suffering from a major inferiority complex.

“We see metro Denver as a ‘district town’ – where we need an office but would never think of having our headquarters here. It seems that every time you reach the top of the mountain, where you’re poised to become a world city, you just fall back.”

Hughes Aircraft executive
Start Small and Build Big

• New convention center was first: on-budget and ahead of schedule.
• Gave us a sense of confidence that we could take on big projects and get to the top of the mountain.
• Next: The Airport. Would have been completed on time if we had never let the “baggage system engineers” out of their cubicles.
Cultural and Scientific Facilities

• Created the “one-of-a-kind” regional Scientific and Cultural Facilities District (SCFD) to underpin physical infrastructure of venues.

• One/tenth of a cent sales tax levied throughout the seven county region.

• Today, SCFD and its grantees are a major economic generator for the region, generating hundreds of millions of dollars in new revenue each year.
Cluster Work

• First cluster study started in 1987
• Two tiered approach:
  – A. Near-term, lower pay jobs to get under-employed workers working and absorb huge surplus of office space
  – B. Longer term: focus on key, emerging industries where Colorado has existing competitive advantage
Employing the Under-Employed

- Call centers: Inbound and outbound. Easy to recruit with such talent in the workforce. Wages were low, but job numbers were high. Typical location was 200 – 500 employees per facility.

- Solved both problems: jobs and surplus office space. Eventually abandoned inbound due to wages. Focused on outbound. More technical and higher wages.
Longer term Clusters

- Telecom: US West, Liberty Global, TCI
- Memory Storage Devices: Storage Tech, Exabyte
- Medical instruments: Valley Labs, GAMBRO
- Aerospace: Lockheed Martin, Boeing, Ball Aerospace
2011 Clusters

- Aerospace
- Aviation
- Software/IT
- Broadcast/telecom
- Financial services
- Bioscience – pharma and devices
- Energy – Clean Tech and Fossil
Marketing Strategy - 1986

• Print advertising
• NO public relations until we had “hides on the wall”
• Direct solicitation of corporate executives in key cluster companies
• Site Selection Conferences, bringing key corporate decision makers to “see the product” in-person
Marketing Strategy 2011

• Use “earned media” to drive clients to 65 gigabyte website with full GIS
• Use print only to reinforce impressions already created through earned media
• Upstream marketing through site selectors
• Electronic newsletters to narrowly focused markets within clusters
• Work closely with tourism (state and region) to attract “cluster-related” conventions. (Execs in 82% of Colorado’s small high-tech companies started out as tourists.)
The Metro Denver EDC....

• 35 initial partners, now 70 economic development organizations in a nine county metro area
• Metro Denver now competes on same level with other regions around nation
• Reduces duplication of services by economic development groups
• Presents a common face for entire region
• Reduces cognitive dissonance for buyer
• Increases number of companies choosing Metro Denver vs. other locations
- 3.4 million residents
- 67% of state population
- Over 75% of GSP
Governance Role

Principles of Agreement:

• Metro Denver EDC does national marketing and provides funding for major regional projects
  – Manages regional economic data base
  – Coordinates metro prospects and proposals
  – Provides technical/political support for major economic development initiatives
  – Oversees Metro-wide workforce programs
Governance Role

• Larger, Sub-regional Organizations:
  – Conduct regional marketing
  – Conduct local government political work to assist companies with location and incentives
  – Coordinate prospects with local governments within their area of influence
  – Undertake regional workforce initiatives
Governance Role

Local economic development groups, small chambers, and city econ development depts:

• Business retention
• Planning & zoning assistance
• Local marketing
• Local incentives
• Small business development
“How do we stop the locals from stealing from one another or engaging in “zero sum economic development”?”
The Code of Ethics

• “Sell Metro Denver first, our communities second.”

• No stealing

• No “going around” a deal

• No negative selling

• Saving deals for the region when one organization can’t meet their needs – retention and new locations

• Asking and expecting a higher standard of behavior
Does Collaboration Work?

Payoff is measured by “closure rate”*

1985: 30%
1993: 62%
2010: 52%

* Definition: Percentage of companies who physically visit metro region looking for site and/or building and choose Metro Denver. Company must “do something” – expand at existing site, locate in competitor region, or locate in Metro Denver. Those who choose not to expand anywhere are not included in this calculation.
Our Motto.....

“If we’re not writing history, we’re not doing it.”
After 23 years......

- Top 5 of all states in diversity of economy
- New clusters: CleanTech, Biopharma
- $5.0 billion airport is 5\textsuperscript{th} busiest in nation and #1 choice by business travelers
- New convention center was completed in 1989 and has doubled in size twice since then
Major Changes

– $6.0 billion Life Science Center – Fitzsimons
– 48 corporate headquarters recruited since 2003
– Major league baseball: three stadiums
– $5.0 billion transit system called FasTracks, is now under construction
– Largest performing arts complex outside Lincoln Center
– 15 years with no Clean Air violations
Cluster Growth

• #1 state in concentration of aerospace employment, #3 in total employment
• In 2003 Colorado ranked 27th in Biopharma among states; in 2010 ranked in top 10 in all measures except one
• 50th in net generation of electricity from wind in 2000. Ranked #7 in 2010
Only 11 states reported energy generated from wind in 2000. That number jumped to 35 states in 2009, with Colorado ranking seventh.

*2009 data is preliminary.
This outcome did not occur in a year, or even five years.
It required a long-term vision, agile changes in tactics, and an identified group to serve as steward of that vision.
Implementation will span 2-3 governors’ terms, numerous legislators, county commissioners, and mayors.

Elected leaders can spur policy and provide focus.

The private sector ensures continuity.