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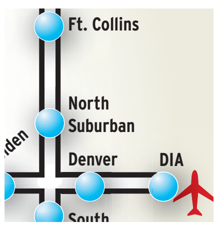

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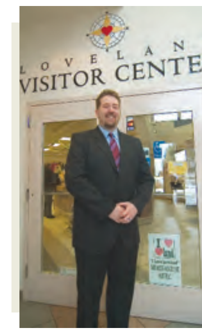

Willms takes Loveland helm

New president unveils plan for business group

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Agilent reducing jobs, pay worldwide

Temporary pay cut to save 1,000 jobs for high-tech giant

By Kristen Tatti
ktatti@ncbr.com

SANTA CLARA, Calif. — Agilent Technologies (NYSE: A) recently announced a restructuring program that will result in a reduction in about 800 positions worldwide and a temporary across-the-board pay reduction. But thanks to lessons from the technology bubble, the company is also saving more than 1,000 jobs through recession planning.

The California-based company approved the cost-cutting measures on Dec. 12. The plan calls for a reduction in 300 temporary positions and 500 "regular" positions as well as a pay reduction of 5 percent to 10 percent for its workforce worldwide.

"The ongoing recession has had an impact on Agilent's businesses involved with semiconductors and communications," said Colorado spokeswoman Jean Mooney.

The job cuts will come from the business segments that are experiencing the most impact, primarily in the electronic measurements group.

A majority of the employees at Agilent's Loveland facility work in the electronic measurements group, but Mooney said the impact in Colorado will be relatively small. The company plans for about 20 to 25 layoffs between the Colorado Springs and Loveland sites. She added that impacted employees will be notified in the coming months, with most leaving the company by May.

Agilent also operates facilities in Boulder and Englewood. In all, the company employs 19,600 worldwide, about 1,500 in the state and about 500 in Northern Colorado.

The pay cuts will be instituted across all business segments and locations, including executive management. Agilent CEO Bill Sullivan earned a base salary of almost $950,000 in the most recently reported fiscal year, according to Securities

See AGILENT, 12A

Panelists eye 2009 business cautiously

Tom Hacker, Northern Colorado Business Report

ECONOMIC BRAINS – Members of the *Northern Colorado Business Report*'s 2008 Economic Roundtable are, from left, Brad Florin, Terri Shields, Doug Dohn, Mark Bower, Stephen Koontz and Mark Wallace, M.D.

Credit crunch changes game for economic sectors

Editor's note: The Northern Colorado Business Report *convened its annual Economic Roundtable on Dec. 4 at American Eagle Distributing Inc. in Loveland. Participants this year included:*

- **Mark Bower**, senior vice president, CFO and chief operating officer, Home State Bank, Loveland;
- **Doug Dohn**, founder and president, Dohn Construction Inc. in Fort Collins;
- **Brad Florin**, founder and president, Acartus Inc., a Fort Collins software company, and organizer of NoCo Angels, a private investment network;
- **Stephen Koontz**, associate professor, Colorado State University Department of Agriculture and Resource Economics;
- **Terri Shields**, commercial real estate broker at Everitt MacMillan Commercial LLC in Fort Collins;
- **Mark Wallace**, M.D., family practice physician and director of the Weld County Public Health Department.

The six panelists took questions from *Business Report* editor Tom Hacker, who covers real estate and construction, and reporters Kristen Tatti, who covers technology and banking, and Steve Porter, who covers health care, agriculture and environmental issues. The following is a partial transcript of the discussion.

Tom Hacker: I'd like to start by asking each of you to summarize how you view the year ahead in your particular areas. Mark, how do you see the banking industry's future?

See ROUNDTABLE, 10A

The road ahead

Starting on page 2A, examine how Northern Colorado's economic sectors are shaping up for 2009.

ECONOMIC FORECAST 2009

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Credit still flowing for agribusiness

ECONOMIC FORECAST 2009

Loans available for farmers, ranchers with good credit

By Steve Porter
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Agriculture

Agribusiness is one sector of the economy that should not have a hard time getting credit in 2009 to buy equipment, raise cattle for market or get another crop to harvest.

Terry Anders, president and CEO of Mountain Plains Farm Credit Services in Greeley, said the nation's Farm Credit System continues to be a reliable source of credit for the nation's agribusiness community.

ANDERS

"Our nation is facing unprecedented turmoil in the financial sector at a time when demand for credit in agriculture will undoubtedly increase due to dramatically escalating input costs," Anders said. "Despite the turmoil, we continue to provide a steady supply of credit to the farmers, ranchers and rural residents we serve."

In mid-December, the Greeley-based cooperative lender reported a $6 million dividend paid back to its member-owners. Since the beginning of the program in 2004, more than $42 million has been returned to members, according to Mike Flesher, Mountain Plains Farm Credit Services vice president and corporate secretary.

Flesher said the rock-solid, federally chartered FCS has not been hit by the Wall Street uproar and should remain relatively insulated from its repercussions.

"We are still able to provide capital to the several areas we serve," he said. "If a person comes to us looking for a loan, we are not unable to make that loan."

That, of course, is dependent on the borrower having a good credit rating, Flesher noted.

"Looking at the foreseeable future, we don't see anything to prevent us from (making loans)," he said. "We're still able to make loans."

Flesher said the only real challenge facing Mountain Plains is finding investors willing to buy long-term FCS bonds. "The funding side of it is our challenge," he said. "Investors are so spooked in the market there's no one interested in a 20-year bond. Everyone's just thinking short-term."

Those 20-year-and-longer loans may still be available but borrowers will have to pay more. "There's going to be more of a premium on longer-term loans," he said. "It's not more difficult, but it's more expensive with regard to longer-term securities."

Mixed bag elsewhere

Elsewhere in agribusiness in 2009, there's a somewhat mixed grocery bag of variables to ponder.

HARDESTY

Thanks to strong foreign market demand, vegetable and dairy farmers can likely expect a reasonably good year as long as the weather cooperates. The first crop of genetically modified sugar beets resulted in a record crop for Northern Colorado growers in 2008, and that will likely mean more acres planted in sugar beets in 2009.

Corn growers have been benefitting from a strong demand for cattle feed and corn-based ethanol in recent years, but low gasoline prices that arrived in the last quarter of 2008 have cut into ethanol's use and profitability for producers. Sharp cutbacks in production ordered by oil-producing nations in December were expected to push gas prices back up and renew ethanol's attraction.

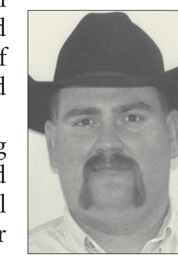
Specialty crops that require lots of hand labor were dealt a setback in 2008 by a shortage of migrant laborers, who left the state due to tougher immigration law enforcement and a generally declining U.S. economy. That's likely to continue in 2009, ag observers say.

Dairies boom

The region's dairy industry got a huge boost in mid-2008 when Denver-based Leprino Foods announced it would build a mozzarella cheese factory in Greeley. Les Hardesty, local dairy owner and immediate past president of the National Dairy Board, said the opening of the plant in 2011 should stimulate local dairy producers to increase their herds and operations in anticipation of the opening.

"Just being able to process our milk locally and the environmental impact of not shipping it to other states is huge," Hardesty said.

Cattle producers are awaiting the outcome of an anti-trust lawsuit filed in October by the U.S. Department of Justice against Brazil-based JBS S.A., which is trying to purchase National Beef Packing Co. and become the biggest beef processor in the U.S. and the world.



FANKHAUSER

The DOJ is claiming that JBS's proposed merger with National could result in lower prices paid to cattle producers and higher prices paid by beef consumers. Industry observers have lined up on both sides of the issue, while Terry Fankhauser, vice president of the Colorado Cattlemen's Association, said he just hopes there are enough packing plants left near producers when the dust settles on the case.

Flesher said the overall picture for agriculture in 2009 is bright. "The good news is that in the ag industry, people still have to eat and the demand will be there for these products," he said. "We anticipate 2009 will still be a good year for the agriculture economy."

High-speed rail proposed for I-25 corridor

If feasible, passenger trains could travel faster than 200 mph

By Steve Porter
sporter@ncbr.com

Imagine high-speed passenger trains screaming up and down the Interstate 25 corridor at speeds of 250 mph or more.

It's a possibility in the not-too-distant future if a feasibility study now under way determines there is a demand for the service — and financial, right-of-way and other hurdles can be overcome.

The Rocky Mountain Rail Authority — a coalition of governments and transit agencies — is using a $1.5 million study grant from the Colorado Department of Transportation to evaluate whether high-speed rail service in the I-25 corridor and along the I-70 corridor is something Coloradans want and if funding can be obtained for the massive project, which would cost billions.

RMA officials met with Northern Colorado transportation experts on Dec. 18 to update progress on the study, which was launched in 2007. Andy Mountain, a member of Chicago-based Quandel Consultants that's performing the feasibility study for RMRA, said the next meeting in February or March will likely tell whether the project has legs or is just a pipedream for the foreseeable future.

"It is entirely possible that we'd come back in the spring and say we don't see a feasible project out there," Mountain said. "The ultimate goal is we identify a feasible project and look into how could you finance this sort of thing."

If the project does appear possible, a proposal would be submitted to the Federal Rail Administration to apply for funding and designation as the nation's 11th high-speed rail corridor.

At least 90 mph

High-speed rail passenger service is relatively common in parts of the eastern U.S. and in several foreign countries, where magnetic levitation trains can reach speeds of 250 mph or more. The RMRA is looking at diesel, electric and maglev trains that can travel a minimum of 90 mph.

The RMRA is considering a variety of possible track scenarios, with locations in existing highway corridors and on existing rail lines —

See RAIL, 23A

F O C U S

Michael D. Wailes, Northern Colorado Business Report

SETTING A NEW COURSE – Brian Willms, the new president and CEO of the Loveland Chamber of Commerce, has big plans for 2009 that include the launch of three new action items and strengthening the chamber's role in advocacy.

Willms takes Loveland helm

New president unveils ambitious plans for local business group

By Kristen Tatti
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LOVELAND — Brian Willms is a jack-of-all-trades.

The new president and CEO at the Loveland Chamber of Commerce worked in banking, technology, as a headhunter, a mortgage broker and an entrepreneur before landing in the business of boosting business as a chamber executive. He worked in various roles at the Portland Business Alliance before applying for the position in Loveland. The Colorado native has grand plans to leverage his experience and expertise to make 2009 a transformational year for the Loveland Chamber.

Willms sat down for an interview with the *Business Report* on Dec. 11 to describe how he intends to do it:

NCBR: How is the Loveland Chamber similar to or different from your previous chamber experience?

Willms: I'm coming from Portland, which is actually pretty comparable to Denver. So, I'm coming from a metro-area chamber to more of a small-city chamber. I'm going from 1,400 members down to right around 700. We had an $11 million budget. Here, we're looking at a budget of $600,000 to $700,000.

But that's all very much looking at it from a 30,000-foot perspective versus really getting down into the minutia and the details. When you get down to that, it's relatively the same.

See WILLMS, 18A

Producers lament new oil, gas rules

Environmentalists, Ritter's office say regulations are fair

By Steve Porter
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DENVER — A new set of rules to govern the oil and gas industry in Colorado has industry officials and some Republican lawmakers fuming and environmentalists and Gov. Bill Ritter's office feeling satisfied that a fair compromise has been reached.

The new rules, adopted by the Colorado Oil and Gas Conservation Commission on Dec. 10, are the result of months of negotiation between the commission and interested parties, especially the Colorado Oil and Gas Association, which represents the oil and gas industry in the state.

Despite months of talks with the commission over some of the more controversial rules, John Swartout, an industry group spokesman, said the end result was "disappointing" and would create "the most expensive, time-consuming and burdensome regulatory environment in the nation."

The regulations "officially make Colorado the most challenging state in the nation for the natural gas and oil industry to conduct business," Swartout said in a statement released immediately following the official adoption of the new rules.

But Harris Sherman, director of the Colorado Department of Natural Resources and chair of the oil and gas commission, said he sees the results differently.

"Thanks to all of this public, industry and stakeholder input, we have crafted a modern framework that will allow one of our most important industries to thrive while protecting the things that make Colorado such a great place to live and work," Sherman said.

Reining in industry

The new rules were sought by the Ritter administration and state environmental

See OIL, 22A

THE EYE

DHL rides piggyback on USPS

After concluding a land sale in early December, Fort Collins commercial broker **Michael Ehler** bundled up contract documents and shipped them to the Grand Junction buyer who absolutely, positively had to have them in hand the following day.

Ehler, managing broker at Realtec Commercial Real Estate Services, told the Eye that he relied as usual on **DHL Express**, the previously reliable quick shipper that Realtec had had an account with for years.

That's why the phone call he got the next day from the Western Slope buyer, inquiring about the documents that had not arrived, came as such a surprise.

"We tracked it down, and found that the contract had been mailed from the post office in Loveland," Ehler said. "The post office?"

After making an in-person inquiry at the Fort Collins office, Ehler said he had learned that DHL had instituted a policy of handing off shipments to recipients beyond the Front Range to the **U.S Postal Service** — sort of a modern-day Pony Express arrangement.

For DHL, it was one of necessity. Feeling the big pinch of a sagging economy, the global company based in Germany announced it would suspend its domestic U.S. service for all customers except those with DHL accounts, of which Realtec was one.

But running a statewide fleet of trucks was no longer possible after the company cut 600 U.S. jobs in the wake of its service suspension announcement.

INSIDE

Get behind the numbers at Economic Forecast

By NCBR Staff

GREELEY — When you read the latest pronouncements from economic experts, do you ever wish you could get behind the numbers to see what it will really mean to you in the coming year?

The 2009 *Northern Colorado Business Report* Economic Forecast luncheon on Jan. 15 gives you the chance to do just that. John W. Green, regional economist and compiler of the *NCBR* Index of Leading Economic Indicators, and Martin Shields, regional economist for Colorado State University, will present their up-to-the-minute analyses of what's in store for Northern Colorado in the next 12 months.

Then a handpicked panel of local industry leaders will delve into the data, using their vast knowledge and expertise to ask Green and Shields insightful questions.

Representing the agricultural sector is Troy Bredenkamp, executive vice president of the Colorado Farm Bureau. As chief administrator for the 25,000-member organization, he is responsible for all programs and activities and represents the bureau at the Colorado Agricultural Council, a consortium of all major ag groups in Colorado. Before joining the bureau, Bredenkamp was Director of Congressional Relations for the American Farm Bureau Federation, responsible for energy and natural resource policy for farm bureaus nationwide. The native of York, Neb., is a graduate of the University of Nebraska at Lincoln and has also served as CEO for the Colorado Livestock Association and as Vice President of Technical Services for the Nebraska Cattlemen's Association.

The banking perspective comes to the table with Gerard Nalezny and his 23 years of financial services experience. Nalezny is CEO and president of Fort Collins Commerce Bank, which he co-founded in 2005 and now holds $70 million in assets. He is also an organizing board member of the Larimer Bank of Commerce, Loveland Bank of Commerce and Mountain View Bank of Commerce in Westminster. Nalezny, who holds a bachelor's degree in economics from Carleton College in Minnesota, served as president of Community First National Bank of Fort Collins/Greeley from 2000 to 2005.

Rick Sutton brings his background in health care to the discussion. Sutton, who during his three years as CEO led McKee Medical Center in Loveland to earn Banner Health's highest recognition for overall facility excellence, has been CEO of North Colorado Medical Center in Greeley since April. Prior to joining McKee, he was the chief operating officer at Banner Mesa Medical Center in Mesa, Ariz. Sutton began his career with Banner as CEO of Ogallala Community Hospital in Ogallala, Neb. He holds a bachelor's of business administration in management from the University of Mississippi, Oxford, and a master's of science, health service administration, from Central Michigan, Mount Pleasant.

Rounding out the panel is Rocky Scott, principal for strategy and business development for Loveland-based community developer McWhinney, who combines experience in both real estate and economic development. He joined McWhinney in June 2005 after serving for 16 years as president and CEO of the Greater Colorado Springs Economic Development Corp. Prior to CSEDC, he served as an engineering project manager for the Department of Defense and as president of a Colorado Springs real estate firm. He received his bachelor of science degree in electrical engineering from CSU and has pursued graduate study in business administration.

This high-powered luncheon, which will also allow audience members to ask their own questions, takes place on Thursday, Jan. 15, from 11:30 a.m. to 1:30 p.m. in the University Center Ballroom on the University of Northern Colorado campus, 2045 10th Ave. in Greeley.

Register to attend by visiting www.ncbr.com, clicking on Events under Departments on the lefthand side of the page, and then on the Economic Forecast logo. Individual tickets, which include lunch, cost $35, and corporate table sponsorships are available through *NCBR* Marketing Director De Dahlgren at 970-221-5400, ext. 202, or ddahlgren@ncbr.com.

Kennedy & Coe is the presenting sponsor for this year's Economic Forecast luncheon.

C O R R E C T I O N S

The *Business Report* will correct any errors that appear in its pages. To suggest a correction or clarification, please contact editor Tom Hacker at 970-221-5400, ext. 223, or e-mail him at thacker@ncbr.com.

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Cost of unpaid health care likely to grow in 2009

Increasing numbers of Medicaid, charity patients already seen

By Steve Porter
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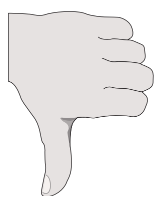


Health care

The big question for health care in 2009 may be how much providers and insured patients will have to absorb to cover unpaid or partially paid care due to the continuing economic downslide.

Rising health-insurance premiums coupled with growing numbers of Medicaid patients will result in providers treating more people without the ability to pay or accepting Medicaid payments that don't cover the full cost of treatment.

Hospitals in the region were already reporting some increases in unpaid charity care and more Medicaid patients as 2008 drew to a close. Bill Byron, spokesman for Phoenix-based Banner Health, which owns McKee Medical Center in Loveland and has a contract to operate North Colorado Medical Center in Greeley, said Banner provided 10 percent more charity care than anticipated in November in its overall system, which includes hospitals and clinics in Colorado, Arizona and five other states.

Stephanie Doughty, chief financial officer for the Poudre Valley Health System, which includes Poudre Valley Hospital in Fort Collins and Medical Center of the Rockies in Loveland, said PVHS treated 7 percent more Medicaid patients in the third quarter of 2008 than the same period a year earlier.

DOUGHTY

Hospitals are predicting more patients will come through the emergency room in 2009 as people without insurance put off treatment as long as possible. The result of that unpaid care is higher costs for those with insurance.

Layoffs ahead?

A national survey conducted by the American Hospital Association in mid-November showed 31 percent of respondents were reporting a moderate increase in uncompensated care and an additional 20 percent were reporting a significant increase.

Fifty-three percent of those hospitals who responded to the AHA survey said they were considering staff reductions. Byron said Banner began implementing cost-saving measures in October that included salary and raise freezes, not filling some vacant positions and reducing paid time off. He said staff layoffs are not yet on the horizon.

"Should the economy drastically get into an area we can't yet imagine, then we may have to look at those options,' he said.

ECONOMIC FORECAST 2009

Doughty said PVHS is also not yet looking at staff reductions and is watching its spending very carefully to try to avoid layoffs. That includes "prudent" construction and equipment spending, she said.

"In the coming year, to be conservative, we're not releasing any capital dollars until we've earned them," Doughty said.

Employment related

Rising unemployment numbers in the state and region are pushing more families to go onto Medicaid for their treatment. The state's Medicaid office reported an additional 10,000 children being enrolled over the five-month period from July through November.

Joanne Lindsay, a spokeswoman for the state Department of Health Care Policy and Financing, said the state and federal appropriation for fiscal year 2008-09 was $2.5 billion but that won't be enough to meet the increasing need.

"We are estimating that we will be requesting an additional $100 million to cover the medical and mental-health costs of increased enrollment in Medicaid," Lindsay said.

Lindsay said enrollment numbers have been rising by about 3,000 per month and the office was forecasting an 8 percent increase in the month of November.

"It's definitely employment-related," she said. "It's definitely above what we projected last year."

Lindsay said no matter how high the number may go, the Medicaid program is a federal entitlement program that the state must find money to co-fund. That could mean forcing the Legislature to reallocate spending programs to cover the difference.

"We will pay for whoever is eligible and enrolled," she said.

Radical push needed

KEFALAS

Rep. John Kefalas, D-Fort Collins, announced last month that he was planning to introduce a bill in the 2009 legislative session aimed at creating a single-payer health-care system for the state. Called the Colorado Guaranteed Healthcare Act, the bill would "provide medical coverage to every Coloradan," Kefalas said, by creating a nonprofit agency, separate from the state budget and legislature, that would be responsible for administration, governance, delivery of services, quality of care and payment for services delivered.

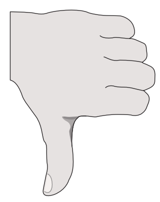
Kefalas' bill would drastically reduce the role of private health-insurance companies. He said such a radical approach on the state level is needed to prod dramatic health-care reform on the national level. "I do believe it's important to put pressure on the federal government and the Obama administration to get something moving," he said.

Year ends with more area jobs lost than gained

Economists see unemployment rising into 2009

By Steve Porter
sporter@ncbr.com

Although Northern Colorado remained somewhat insulated from the worst ravages of the national economic downturn, as 2008 drew to a close the region's employment picture wasn't pretty.



Employment

In early December, the U.S. Bureau of Labor Statistics reported that the number of unemployed workers in Northern Colorado increased by 1,100 from September to October. The unemployment rate for the Fort Collins-Loveland area grew from 4.1 percent in September to 4.7 percent in November, up from a 3.4 percent rate in November 2007. In Greeley, the unemployment rate rose from 5.1 percent in September to 5.9 percent in November, up from 4.2 percent from a year earlier.

In mid-December, Fort Collins-based Advanced Energy Industries announced it would trim 114 jobs, or about 7 percent of its total workforce. The announcement brought the number of positions eliminated by AE in 2008 to 185.

Another Fort Collins company, RPM Electronics, announced in December it would close its doors in February, eliminating about 70 jobs. Even the holiday hiring period was expected to show the lowest seasonal retail job gain since 1988, according to an analysis by outplacement consultants Challenger, Gray and Christmas.

And a report issued in December showed Northern Colorado employers expecting to hire at a very modest pace during the first quarter of 2009. The Manpower Employment Outlook Survey found 12 percent of the companies interviewed in the region planned to hire more workers in the first quarter while 11 percent expected to decrease their payrolls. Another 71 percent said they expected to maintain their current staffing levels.

Economists downbeat

Local economists were downbeat about prospects for reversing the unemployment trend anytime soon. Regional economist John Green declared an official recession in Northern Colorado began in September, when fewer jobs were created in the region than lost.

"It's reasonable to expect that employment in Northern Colorado may contract until early summer of 2009," Green wrote in a column that appears in this issue of the *Northern Colorado Business Report*. Green predicts that the unemployment rate in Northern Colorado could rise as high as 7 percent in 2009 and the national unemployment rate could hit 9 percent.

ECONOMIC FORECAST 2009

Colorado State University economist Martin Shields, who issued a fairly optimistic economic report in early October that called for 4,000 new jobs to be created in the region in 2009, said in late December that his prognosis would have to be scaled back.

"I think consumer sentiment has changed dramatically," he said. "The thought of GM closing began to permeate the American psyche, and the thought is just demoralizing."

Shields had also called for a regional unemployment rate of 4.5 percent. "That looks kind of optimistic right now, at least for the first half of 2009," he said.

Shields said the number of people in the Northern Colorado labor force from October through November declined — an especially bad sign.

"Normally, November is a strong hiring time because of the Christmas season, but it's not been," he said.

Not all bad news

All in all, the unemployment news for the state near the end of 2008 wasn't all bad.

In January, Denmark-based Vestas Wind Systems began hiring the first of an estimated 600 workers for its new Windsor manufacturing facility.

In June, Massachusetts-based Constant Contact — an e-mail marketing and Internet survey company — announced it would hire 90 workers in 2008 and 400 over the next five years for its new Loveland facility. And in November, Connecticut-based Hexcel Corp. — manufacturer of wind turbine blade components — announced it would build a new plant near Vestas that Windsor city officials said would add about 100 new jobs when at full capacity.

Shields said his earlier forecast of new jobs to be added by sector remains generally the same, with the most new jobs in trade, transportation and utilities. The leisure and hospitality sector will post the next-highest number of new jobs in 2009, followed by education and health care.

But some of the optimism he felt about the region's economy in September has given way to a more pragmatic view for 2009.

"I think it's going to be a rough patch for the first half of 2009," he said. "Maybe we'll see something improve by fall. We're going to feel it — there's no doubt about it — but we'll probably pull out of it a little quicker than other places."

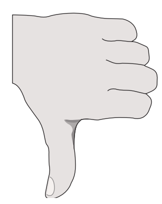
Shields said he is revising his earlier job sector growth estimates and will present those at the Northern Colorado Economic Forecast in Greeley on Jan. 15.

Coming year one of great change for banks

Locals look toward tempered, deliberate growth, fundamentals

By Kristen Tatti
ktatti@ncbr.com

ECONOMIC FORECAST 2009



Banking

The coming year is likely to be one of great change for the banking industry.

The sector is already seeing some major changes, such as an opening of the door to previously non-bank financial entities and the advent of temporary programs to promote confidence and stability.

Local community banks, while not a part of the greater financial fiasco, are experiencing a slowdown. Many Northern Colorado bankers are preparing for a year of tempered, deliberate growth.

The past few years have seen extraordinary growth for local banks. From third quarter 2004 to third quarter 2006, assets grew by 41 percent, deposits increased 41.7 percent, loans increased 37.9 percent and profits rose 65 percent. Growth was much more tempered for the same period in the following two years. Assets grew by only 10.9 percent, deposits by 8.7 percent, loans by 15.9 percent and profits were down 50.8 percent.

The days of rapid growth are gone, but the local market is still a far cry from the pain being felt by the industry giants that have billions in losses and entire portfolios stuffed with toxic assets. Instead, local numbers show a return to normalcy for the market, with the exception of increasing past dues and foreclosures.

"I think we're hearing cautious confidence (from Colorado banks)," said Don Childears, president of the Colorado Bankers Association. He explained that local banks are cautious because of the underlying economic factors, yet confident that the challenges will be worked through.

"We are where we are in the economy," said Gerard Nalezny, president of Fort Collins Commerce Bank. "Just like booms will pass, so will recessions."

Nalezny, who started Fort Collins Commerce Bank in mid-2005, sees local market challenges as opportunities as well.

"The sin of the past is that deals that shouldn't have been done were," he said. "Now the opposite is true."

New relationships possible

He explained that many good deals are not being done because some banks are focusing on lending to the customers they already have, rather than taking on new ones. The opportunity presents itself to earn relationships — the lifeblood of community banking.

Pat Brady, president of FirstBank of Northern Colorado, is also getting more calls than usual. Brady said that potential customers are seeking out new relationships as banks are pulling back on lending and offering different terms. FirstBank is happy to take on new customers, as long as they fit into the profile that the bank has adhered to for years. Brady estimates that only two of every 10 calls from new potential customers would fit.

"We're proud of where we're at," said Brady. "But it's not like were not affected, though."

FirstBank of Northern Colorado has recently started to see the stress the economy is putting on its customers. As of Sept. 30, the bank had $2.89 million in loans that had reached the first level of past due status — 30 to 89 days delinquent. That is up from $362,000 last year. However, it is virtually negligible compared to the $130.4 million in past dues for the region's 15 locally based banks.

'Past dues' pile up

With the economy flagging, Brady said the seemingly bright commercial real estate sector might dim in the region during 2009. He explained that while commercial real estate loan past dues are already piling up, much of that is related to residential real estate development. A slow economy could shift more pressure onto the commercial development side.

> **"The sin of the past is that deals that shouldn't have been done were."**
>
> Gerard Nalezny, president
> Fort Collins Commerce Bank

"It seems like we could see some increased vacancies," he said. "(The industry) isn't overly concerned about a total collapse, but I think it could be the next challenge."

It is a challenge that some local banks might already be facing, as the pipeline of delinquent loans grow. As of Sept. 30, assets that had reached non-accrual status — those loans that are unlikely to be repaid — reached $170.5 million for Northern Colorado banks. Other real estate owned, typically assets seized for nonpayment, reached $50.3 million.

With troubled assets already on the rise and prospects for another year of recession, 2009 is shaping up to be one of fundamentals and relationship-building as local banks work with customers toward the best possible outcomes.

Largest Law Offices

Ranked by number of attorneys

DataBank
The Vault's Always Open

RANK	PREV RANK	COMPANY ADDRESS PHONE/FAX	NO. LAWYERS LOCAL NO. LAWYERS ELSEWHERE	NO. OFFICES LOCAL NO. OFFICES ELSEWHERE	NO. EXPECTED HIRES 2009 NO. NEW HIRES 2008	NO. PARTNERS NO. ASSOCIATES NO. PARALEGALS NO. TOTAL FT EMPLOYEES	FIRM'S SPECIALITIES	E-MAIL WEB SITE	PERSON IN CHARGE TITLE HEADQUARTERS YEAR FOUNDED
1	1	**LIND, LAWRENCE & OTTENHOFF LLP** 355 Eastman Park Drive, Suite 200 Windsor, CO 80550 970-674-9888/970-674-9535	11 0	1 1	1 1	5 6 3 24	Real estate, business & estate planning, water rights & adjudication, agriculture, probate, civil litigation, construction, insurance coverage & defense, employee benefits litigation, banking, land use and regulation.	ken@llolaw.com www.llolaw.com	Kenneth F. Lind Member Windsor 1984
2	9	**OTIS, COAN & PETERS, LLC** 1812 56th Ave. Greeley, CO 80634 970-330-6700/970-330-2969	9 N/A	1 N/A	3 3	3 6 5 18	Real estate, estate planning & elder law, business, commercial litigation, creditor's rights and employment.	jvannoy@nocolegal.com www.nocolegal.com	Fred Otis Partner Greeley 1998
3	6	**WICK & TRAUTWEIN LLC** 323 S. College Ave., Suite 3 Fort Collins, CO 80522 970-482-4011/970-482-8929	8 N/A	1 N/A	0 0	2 6 6 14	Civil litigation, general business, domestic, estate planning.	info@wicklaw.com www.wicklaw.com	Robin Wick Managing Member Fort Collins 1978
4	8	**ALLEN, VAHRENWALD & JOHNSON LLC** 125 S. Howes St., Suite 1100 Fort Collins, CO 80521 970-482-5058/970-482-5175	8 N/A	1 N/A	N/A 2	N/A N/A N/A 14	Family law, transactional law, real estate law, commercial litigation, business organizations, estate & tax planning, municipal law, criminal defense.	N/A N/A	Jack Vahrenwald Member Fort Collins 1915
5	7	**MYATT BRANDES & GAST PC** 323 S. College Ave., Suite 1 Fort Collins, CO 80524 970-482-4846/970-482-3038	7 0	1 0	0 1	6 1 2 16	Real estate, business planning & formation, trial & appellate practice, banking law, employment law, will and trusts.	N/A N/A	Ramsey D. Myatt President Fort Collins 1938
6	5	**HARDEN, HASS, HAAG & HALLBERG PC** P.O. Box 1606 Fort Collins, CO 80522 970-482-7777/970-482-8084	7 N/A	1 0	0 0	4 3 5 16	Employment law, contracts, business law, governmental law, personal injury, wills and estate planning, family law, probate.	contact@hshh.com www.hardenhass.net	George Hass President Fort Collins 1948
7	4	**WITWER, OLDENBURG, BARRY & JOHNSON LLP** 822 Seventh St., Suite 760 Greeley, CO 80631 970-352-3161/970-352-3165	6 2	2 N/A	N/A 2	5 1 5 13	Real estate, banking, commercial transactions, probate, wills, trust & estate planning, school law, personal injury.	N/A N/A	John J. Barry Partner Greeley 1963
8	3	**LIGGETT, SMITH, WILSON AND JOHNSON PC** 425 W. Mulberry St., Suite 112 Fort Collins, CO 80521 970-482-9770/970-482-0339	6 N/A	1 N/A	0 3	4 2 6 14	Civil litigation, criminal defense, estate planning, domestic, real estate & personal injury.	lswjlaw@frii.com www.lswjlaw.com	David Johnson managing Fort Collins 1980
9	14	**COCHRAN, FREUND & YOUNG LLC** 2026 Caribou Drive, Suite 201 Fort Collins, CO 80525 970-492-1100/970-492-1101	6 0	1 1	N/A 2	3 3 4 15	An intellectual-property firm that practices patent, copyright, trademark and trade secret law, technology licensing, as well as counseling and litigation in these areas.	billc@patentlegal.com www.patentlegal.com	William W. Cochran Managing member Fort Collins 2000
10	12	**WINTERS, HELLERICH & HUGHES LLC** 5754 W. 11th St., Suite 101 Greeley, CO 80631 970-352-4805/970-352-6547	5 N/A	1 N/A	N/A N/A	4 1 N/A 13	Civil trial, trials, appeals, personal injury, litigation, estate planning, wills, trusts, probate, real estate, negligence, bankruptcy, foreclosure, family.	N/A www.whhlawpractice.com	Jerry Winters Member/Manager Greeley 2004
11	15	**RITSEMA & LYON PC** 2629 Redwing Road, Suite 330 Fort Collins, CO 80526 970-204-9053/970-204-9058	5 35	1 6	N/A N/A	N/A N/A N/A 12	Worker's compensation defense.	N/A www.ritsema-lyon.com	Kim Dale Starr Managing partner Denver 1993
12	11	**SANTANGELO LAW OFFICES PC** 125 S. Howes St., Third Floor Fort Collins, CO 80521 970-224-3100/970-224-3175	5 N/A	1 N/A	0 1	N/A N/A 3 12	Patent, copyright, trademark, trade secret, unfair competition, technology, computer, property law.	ideas@idea-asset.com www.idea-asset.com	Luke Santangelo member Fort Collins 1991
13	13	**WABEKE, BRUMMET, JOHNSON & CHRISTIANSEN** (1) 325 E. Seventh St. Loveland, CO 80537 970-667-2131/970-669-2203	4 N/A	1 N/A	N/A N/A	4 N/A 1 7	Estate planning, elder law, construction, business, bankruptcy, family law, civil, criminal, real estate and personal injury.	lovelandlaw@gmail.com N/A	Ross J Wabeke Attorney Loveland 1983
14	21	**BELL, BOGE & ASSOCIATED PC** 322 E. Oak St. Fort Collins, CO 80524 970-493-8999/970-224-9188	4 N/A	1 N/A	1 1	2 2 4 8	Business, real estate, land use, personal injury, civil litigation, bankruptcy, estate planning.	gbell@bell-law.com www.bell-law.com	Gregory S. Bell Partner Fort Collins 1983
15	10	**RINGENBERG, FUNK & BELLER PC** 215 W. Oak St., 10th Floor Fort Collins, CO 80521 970-482-1056/970-482-0819	3 N/A	1 N/A	N/A N/A	3 2 N/A 6	Business transactions, banking, commercial litigation.	jmf@rfb-law.com www.rfb-law.com	Joel M. Funk; Richard Beller and James E. Ringenberg Shareholders Fort Collins 1937
16	22	**FREY, MCCARGER & PLOCK LLC** 131 E. Lincoln Ave., Suite 100 Fort Collins, CO 80524-2493 970-482-0212/970-482-0236	3 N/A	1 N/A	1 0	3 0 1 5	Land use, local government, civil litigation, family law, juvenile law, arbitration, mediation.	N/A N/A	Ian D McCarger N/A Fort Collins 2007
17	16	**HASLER, FONFARA & MAXWELL LLP** 125 S. Howes St., Sixth Floor Fort Collins, CO 80521 970-493-5070/970-493-9703	3 0	1 0	1 0	3 0 4 10	Real estate, litigation, corporate work.	timh@hfmlaw.com N/A	Timothy W Hasler Senior Partner Fort Collins 1975
18	20	**WYATT & WINSLOW LLC** 222 W. Magnolia St. Fort Collins, CO 80524 970-484-1112/970-484-1170	3 N/A	2 N/A	0 0	3 0 2 5	Land development and commercial law.	wyattlaw@qwest.net ; www.wyattwinslowlaw.com	David Wyatt Member/Manager Fort Collins 1994
19	18	**WOLFE, VAN ACKERN & CUYPERS LLP** 1008 Centre Ave. Fort Collins, CO 80526 970-493-8787/970-493-8788	3 0	1 0	0 1	3 0 0 2	Business, securities, tax, estate planning & administration, real estate.	office@wvc-law.com N/A	Kenneth C. Wolfe Senior Partner Fort Collins 1971
20	19	**CLARK WILLIAMS AND MATSUNAKA LLC** 2881 N. Monroe Ave. Loveland, CO 80538 970-669-8668/970-667-7524	3 N/A	1 N/A	1 1	3 N/A 3 6	Property, estates, wills, civil litigation, water law, business contracts, domestic, criminal, probate.	STMLAW1@aol.com N/A	Kathleen Williams Office manager Loveland 1995
21	17	**FISCHER & FISCHER LLP** 125 S. Howes St., Suite 900 Fort Collins, CO 80522 970-482-4710/970-482-4729	3 N/A	1 N/A	N/A 3	2 1 3 11	Commercial & personal injury litigation, water law, agricultural law, estate planning.	dngo@fischerandfischerlaw.com www.fischerandfischerlaw.com	Gene E. Fischer Senior partner Fort Collins 1958
22	23	**WEAVER & ASSOCIATES PC** (2) 222 W. Magnolia St. Fort Collins, CO 80521 970-484-5500/970-484-1170	3 N/A	1 N/A	N/A 2	1 2 1 4	Divorce, family law, estate planning, civil litigation, criminal defense, collection.	N/A N/A	L. Allen Weaver N/A Fort Collins 2001
23	25	**HILL & HILL LLC** 160 W. Mountain Ave. Fort Collins, CO 80524 970-482-3683/970-482-7648	2 N/A	1 N/A	N/A N/A	1 1 2 5	Plaintiff, personal injury, wills, trusts, water law, corporate law, civil suits, probate.	hillandhill@webaccess.net www.lawyers.com/hill&hill	Alden V Hill Attorney Fort Collins 1935
24	24	**WILLIAM G. KAUFMAN PC** 200 E. Seventh St., Suite No. 318 Loveland, CO 80537 970-667-8888/970-667-8899	1 N/A	1 N/A	N/A N/A	1 1 N/A 4	Estate planning, real estate, business organizations, probate, guardianships and conservatorships, contracts, sale of businesses.	bill@williamkaufmanpc.com N/A	William G. Kaufman N/A 200 East 7th St., Ste. 318, Loveland, CO 80537 1982
25	NR	**THE SCHMEHL LAW GROUP PC** 219 W. Magnolia St. Fort Collins, CO 80521 970-484-0225/970-484-8903	1 0	1 0	0 2	1 0 1 3	Construction, employment, domestic, personal injury, workers compensation.	jwslaw@frii.com schmehllawgroup.com	James W. Schmehl Shareholder N/A 1995

Region surveyed includes Larimer and Weld counties
Ranked by number of local attorneys, then number of partners and associates
Additional information sources: www.findlaw.com, www.lawyers.com
N/A – Not Available
(1) Formerly Ball, Easley, Wabeke Brummet & Johnson
(2) Formerly Weaver & Schriefer LLC

Based upon responses to Business Report survey researched by Josh Johnson
To be considered for future lists, e-mail research@ncbr.com

A little bit is better than nothing at all

Many hard-working and well-deserving employers and employees are having to make some tough decisions relative to employee benefits these days, and it looks like it'll be a while before things turn around.

Employers are making decisions about cutting jobs that directly affect only the people in those jobs, or cutting benefits which directly affect everyone in the company. Employees are making decisions about staying in a job after hours or benefits have been cut, or looking for other work.

RAISING THE BAR

Kevin E. Houchin, Esq.

The Texas Tornados may have said it best when they sang, "Sometimes you want the whole enchilada. A little bit is better than nada. A little bit, or nothing at all." So, is a little bit better than nada when it comes to employee benefits?

In the interest of full disclosure, I've been self-employed (or "gainfully unemployed" as we say around the house) since May 2001. Like most entrepreneurs, I've not enjoyed employer-paid health insurance, 401(k) matching, paid vacation, or other "standard" benefits for a long time.

That may bias my analysis, so I'll start with the key fact of what benefits employers are legally mandated to provide:

1. The employer's portion of FICA (for Federal Insurance Contributions Act) tax payments for Social Security and Medicare.
2. Unemployment insurance premiums.
3. Workers' compensation insurance premiums.
4. Unpaid leave specific to the Family and Medical Leave Act.
5. Continued availability of group health-care coverage for employees terminated, or whose hours have been reduced, under COBRA.

Some states also require disability insurance, but Colorado is not one of those states. But that's it. Everything else (health care, dental, vision, vacation, sick-time, 401(k) matching, bonuses, stock options, severance packages) is optional.

Are these voluntary benefits, usually offered to recruit and retain valuable employees, worth the cost? Well, that depends, and it is up to employers to make that management decision.

If we're looking at unessential jobs then definitely not because the benefits are throwing good money after bad. When you understand this, it's easy to see why many employers are going to choose to eliminate some jobs before cutting benefits to key employees.

Employment, benefits at will

Unfortunately, as an employee, you might be in one of those jobs seen as nonessential to the employer (although completely essential to you and your family).

It's important to remember that employment — and the benefits that go along with it — is not a right. The employer can eliminate positions at will. The employer can eliminate optional benefits at will, unless they have a contractual obligation that says otherwise. Most employee handbooks (the only employment contract in most situations) include a provision saying the employer can adjust the rules at will.

I've experienced both sides of this situation. I've had my job eliminated before cuts were made across the company, and I've seen my benefits cut when it seemed like a few layoffs would be more beneficial to the company. Neither seemed fair.

Hard times require hard decisions. The goal is to cut overhead and stay in business, keeping as many of your employees as you possibly can. Nobody likes to make cuts, but if it's a choice of making cuts or going out of business, the cuts must be made.

If you are already running very lean on employees, then maybe you actually should start with benefits that do not cut into the monthly cash-flow of current employees. Reduce or eliminate the following:

1. Hiring new employees.
2. Holiday party.
3. Bonuses.
4. Training.
5. Travel.
6. Raises.

Here's a critical legal point. What you do to employees you should do to yourself. Not only is that basic common sense, there are also legal implications to treating yourself with unfair preference compared to employees.

Popular cuts

There are two benefits cuts that seem particularly popular — not necessarily fun — with employers these days.

1. 401(k) matching. Reducing or eliminating the retirement plan match saves the employer money without any loss of monthly cash-flow to the employee. When things get better, the match can be reinstated, and employees have the option of continuing to contribute to the plan without the match.
2. Percentage paid toward employee health insurance. When the choice is between losing one's job, having to pay 100 percent of health coverage, or simply being required to pay a larger portion of one's health insurance, most employees will understand the need to share the cost.

Perhaps the most important element of any decision process will be communication. Are you, as the employer, going to open the books and share the full situation? That open information sharing will be a lot easier if the full information shows that you, again as the employer, are personally sacrificing and risking as much or more than the individual employee.

As someone who has not had any employer benefits for seven years, I'd say given the alternatives, the Tornados had it right: a little bit is better than nada.

Kevin Houchin is an attorney specializing in business development, intellectual property and marketing for entrepreneurs based in Fort Collins. He covers the legal world for the Business Report *each quarter, and can be reached at kevin.houchin@houchinlaw.com.*

ECONOMIC ROUNDTABLE

ROUNDTABLE, from 1A

Mark Bower: As the economy goes, so does the banking industry, generally, because that's what we're tied to and what we're involved with. So 2009, I think, is going to be pretty tough. We're worried that the recession that everybody has finally admitted that we're in could be a long one. And we don't know how deep it's going to go. A lot of people keep comparing it to the Great Depression. I don't think that's appropriate, because we're certainly not to those levels yet. But we're certainly past the 2001 recession and we're seeing some stats that surpass the 1980-81 recession in certain areas.

Hacker: Doug, tell us what you see for the construction industry in the region.

Doug Dohn: It's a challenging time, I think, especially as far as residential construction is concerned. I think that will continue very much in line with what we saw in 2008, with very, very little residential construction. My firm does multifamily construction, and some years it's 20 percent of our business. Last year it was about half a percent of our business. And I don't see any reasons why that trend is going to change. I do see some pent-up demand for apartment construction, and we're getting ready to start. Still, there are some challenges in financing that apartment construction. With the vacancy ratios that the banks are asking for, it's very difficult to build apartments.

2009 Economic Roundtable

Terri Shields

"There's strong demand for industrial property, especially for some large to midsize properties out there."

In commercial construction, I think there are still some signs of hope. I think some of the school districts and municipalities still have projects. The higher education sector still seems to be fairly strong for construction projects. Aims, Front Range Community College, CSU all have projects that are under way, and others anticipated to go to Dohn Construction. I think there are projects out there, unlike other slow periods I've been through in the '80s and '90s. The challenges are getting the financing and the equity required to actually start them.

On the good side of things, I think we're finally seeing stabilization in (building material) pricing.

Hacker: Thanks, Doug. Terri, how about the commercial real estate scene?

Terri Shields: What Doug said about the residential real estate industry surely affects what we do in commercial. The way that comes into play for the commercial market is, obviously, in the retail sector. There's an overabundance of retail space now.

But that could be absorbed if we have a good holiday season. If we don't have a good holiday season, I think by the end of January into February you're probably going to see some more big-box space come open.

As far as office space goes, there seems to be a lot out there but it's being absorbed. It's really new space that's being absorbed. And it's leaving older property vacant, which, in my opinion, is good because then you can bring startup companies in that don't necessarily have the cash flow, and can use the older space.

There's strong demand for industrial property, especially for some large to mid-size properties out there. It's tough to find that property between 10,000 and 50,000 square feet that's of good quality. You can find a lot of older stuff, like the property by the Fort Collins Airport. With construction prices starting to level off or to drop, maybe that will be a sector that starts to pick up in Northern Colorado.

Overall, I believe 2009 is going to be a little difficult, especially with the first half of the year. But I'm optimistic that as we approach 2010 our commercial real estate market will pick up slightly. The news today was that foreclosures for the third quarter were down from where they were in 2007. That trend is important to us.

Hacker: Brad, what about the climate for the tech sector? What does the year look like for entrepreneurship and access to capital?

Brad Florin: I've been an entrepreneur for 20 years, and an angel investor for 10 years, and both of these markets go in cycles, just like real estate, just like banking, like credit markets and stock markets.

When I started in 1999, in the Boston area, we were still in the dot-com era. We saw people investing money, crazy valuations with business plans that were not credible, companies that didn't have either products or customers. It was speculation at best. Luckily that leveled off and we saw a more realistic market in the last several years.

There are lots of people who moved money out of the stock market before it went down. Those people who are sitting on cash, when they match up with the proper angel and proper entrepreneurship opportunity, it's a great fit. So it hasn't necessarily dried up, like in banking and the credit markets where you're relying on external markets and market forces, global economic factors.

Angel investing is a very personal connection. You connect entrepreneurs with a group of people that have cash, and deals will get funded even in the worst of times. Really high-quality companies — Sprig Toys is a great example — are getting funded.

To me, a down economic cycle seems like a great time to start a company. I started my company in '92, during a recessionary time. And as an early-stage, bootstrap company, we did a great job in going out and acquiring office space on very favorable terms, extremely favorable prices. As a startup, that's exactly what you need.

2009 Economic Roundtable

Mark Wallace

"We've been trying to find ways to cover the underinsured. In Colorado, it's 800,000 people."

Hacker: Steve, tell us how you see the agriculture sector performing in the year ahead.

Stephen Koontz: Agriculture is a little bit countercyclical, compared to the rest of the economy. We have a classic price/cost squeeze going on. And if you look back at 2007 income in agriculture, we had record highs. Prices of a lot of the inputs that were purchased — fertilizers and things like that — have caught up with the very good prices that we saw in 2006, 2007 and have persisted in 2008. Agriculture in Colorado is primarily livestock. It accounts for a good 60 percent. The sector there that's really growing is the dairy industry.

Right behind livestock are the feed industries — corn, hay and wheat. Those feed grain industries and wheat have just had tremendous prices in 2007 and 2008, so income for some of those folks has been very good.

We'll see some contractions in 2009. I don't think it will be as bad as other segments in the economy. But that's the deal with agriculture. It doesn't make great money when everybody else is making great money, and it doesn't lose lots of money when everybody else is constricting.

Hacker: Mark, how about the health-care sector where we've seen such a boom in recent years?

Mark Wallace: Well, health care continues to churn along. But I think one of the challenges that we're going to see is with the state economies. A lot of states hoping to do local-level health care reform are going to get stalled. They were looking to find ways to try and draw on some minimal expansions of public programs to get more people covered who are in the poor category.

We're not doing a good job at all at controlling the cost of health care. So, we have a situation now where we have businesses not able to afford it, government not able to afford it, and individuals not being able to afford it. I hope that finally we'll get beyond this huge ideological divide about what we should do about structured health care in the United States and get down to the reality that we've got to do something to control the costs in that part of the system.

2009 Economic Roundtable

Doug Dohn

"I do see some pent-up demand for apartment construction, and we're getting ready to start."

We've been trying to find ways to cover the underinsured. In Colorado, it's 800,000 people. For the nation it's 47 million. More and more people are moving out of the uninsured category and moving into the underinsured category. It's certainly a problem with a lot of small practices, because we're seeing their accounts receivable go up because people are coming in for services and they think they're covered, and they've got this huge $5,000 deductible, and they're not paying the small practices for that.

See ROUNDTABLE, 11A

ECONOMIC ROUNDTABLE

We just completed a report that shows that in the primary care workforce, 50 percent of those who are practicing today in family medicine intend to retire in three years. So on top of an already looming nursing shortage, we've got real concerns in what's going to happen with primary care infrastructure.

Kristen Tatti: Looking toward 2009, with a major change in the national political scene, what are you expecting? How do you think that political change might impact your industries?

Dohn: Well, obviously they've talked about restructuring the whole regulatory process for banks, and whenever the government talks about a massive change, you get nervous about what they're really going to do. There are probably some things they can do to improve our current regulatory structure. There's no question that part of the problem we're in today is because of a lack of some oversight. "Too big to fail" I think is an issue that clearly needs to be addressed. So we're in kind of a wait-and-see situation to find out exactly what they put on paper and what they come up with.

Wallace: I think the health-care industry is going to be interesting to watch. There are sort of two camps out there. First, there are people who think there will be some immediate reform on a minor scale. That's about all the current administration can do given the economy, some expansion of public programming to help get children covered.

There's another group who feel we'll do nothing and they'll wait and see if this administration gets elected to a second term, and in that second term see the kind of more dramatic movement towards major reform.

2009 Economic Roundtable

Terri Shields

"I think in the last three months or so, there's been a lot of change. The investors are coming back."

I think that what's going to happen for sure is you've got both sides of this debate already attacking the administration, that the Obama plan is based on one that keeps pretty much the current system, takes a little bit of what Massachusetts had with this kind of protected marketplace decree, products that become affordable and accessible to people. Then you've got folks who are saying that's not the reform that we were hoping for.

We are seeing an increasing number of both professionals and physicians and others within the health-care system — as well as middle-class Americans — who are saying they want something more dramatic than just building on the current system. A large contingent in Northern Colorado is very vocal about moving to a single-payer structure of health-care financing here.

Hacker: Terri, there's been a lot of talk about the glut of office space on the market in Northern Colorado. Last year we saw a proposal for a pair of office towers near here put on the shelf. How do you see the absorption of office space going, and will we be at a point sometime in 2009 where we're going to be building some more?

Shields: There's definitely more office space in the plans, and we're starting to get construction bids. You were talking specifically about Eagle Crossing, which is right here at Crossroads Boulevard. That project is on hold, and the reason it's on hold is because of the market. The land value there is a little elevated, so we can't get the numbers that we need to build the project.

There absolutely is an abundance of office supply, but we're seeing a lot of movement in the market. You know, we see a lot of new companies coming in. Corporate headquarters are starting to look at Northern Colorado as the place to be for a quality lifestyle. I truly believe those will start to fill up and the demand will be greater. People are always making lateral moves, but we're seeing more and more moving upward into nicer office space.

2009 Economic Roundtable

Mark Bower

"It's not maybe like it was two years ago where for every deal there were seven banks going after it."

There's still difficulty finding office space for clients who want to be in certain areas. There's a hot market in downtown Fort Collins and along Harmony Road. But there's not much space there for the small user. I think we're looking at about 12 to 18 months of absorption there.

Hacker: Doug, in what sector do you think there's going to be the most activity in construction? Institutional, health care, office?

Dohn: I think institutional building is definitely going to be probably the strongest sector. Higher education will continue to be strong. Health care, I think, is going to flatten. I don't see a lot of health-care facilities being built in the next year. I think there will be a lot of office space projects that need to start, but I don't think they'll start until they are at least 50 percent leased. You know, I think it's virtually impossible to get financing in an office building or industrial building that's not leased at least to the 50 percent level, no matter how strong your project is.

Bower: Certainly, things are tighter today than they were two years ago. There were times in banking when a 50 percent lease requirement for a project was pretty standard and normal. Then we got to a point in time when we were saying, "Well, let's just speculate the whole thing." Now we're coming back the other way, and unfortunately sometimes it gets pushed past probably where it should be.

One of our concerns is that regulators are under marching orders to make sure it doesn't happen again. So they tend to overreact somewhat and come in and put a lot of pressure on banks to justify what they're doing. Because of that, it makes the credit crunch even tighter.

Tatti: Mark, can you talk a little bit about how the local banking market is separate from these large, national institutions that

See ROUNDTABLE, 14A

INDEX OF LEADING ECONOMIC INDICATORS

Regional economy continues three-year decline

Growth Index already at 1996 levels, heading lower into 2009

The *Northern Colorado Business Report* Index of Leading Indicators continues its decline. The annual monthly growth rate has been drifting lower since 2005, interrupted first by the increase in bankruptcies before the October 2005 effective date of the Bankruptcy Act and then, a year later, by the sharp decrease in bankruptcies post-legislation.

ECONOMIC INDICATORS
John W. Green, Ph.D.
Regional Economist

We've had two years of decline that was not affected by that legislation. There have been flashes of strong growth in the local economy, for example, May 2008, but nothing lasting more than a month or two. In fact, most recently, the decline seems to be accelerating.

I have declared an official recession in the Northern Colorado economy, effective in September 2008, when employment began contracting. The shrinkage in September was the first monthly contraction since May 1992, over 16 years ago. The residential construction sector, for many years the major stimulus in our economy, has been contracting since 2005. Commercial construction has now joined it in decline, and institutional construction is contracting more slowly. The only sectors enjoying expansion are the health care and alternative energy sectors.

Recession deepening

The National Bureau of Economic Research declared, on Dec. 5, that the U.S. economy has been in recession since December 2007; the exact month that I predicted — last January — that it started. The U.S. recession, because of the financial crisis and very tight credit, is deepening. The spreading contraction in the national economy will have a negative effect on the Northern Colorado economy.

I do not expect recovery until at least the end of 2009, maybe not even that soon. Easy money caused overbuilding in the residential housing sector, prompting excessive risk-taking on the part of lenders, and, finally, massive overconfidence in the resilience of the international financial system.

The U.S. economy will not recover until overconfidence is gone, risky investments have been marked down, and the too-large housing inventory decreases to a reasonable supply/demand balance. The complicating factor is that, as the recession deepens, demand for housing falls further, making it increasingly difficult for supply to equal demand.

Employment

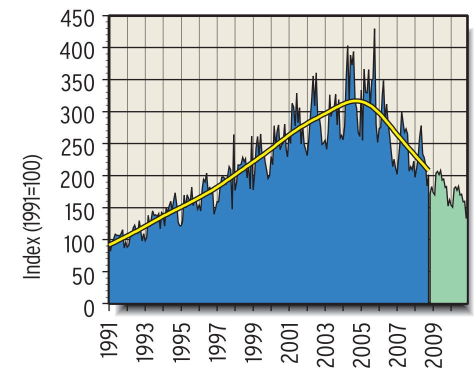
October was a bad month for employment in Northern Colorado. Employment decreased by more than 0.5 percent. Up until September, our economy had been adding enough jobs to compensate for layoffs occurring in the financial and construction sectors. In September, the layoffs were greater than the number of jobs being added.

In 1991/1992, we had seven consecutive months of contracting employment. It's reasonable to expect that employment in Northern Colorado may contract until early summer of 2009. The winter months, because of the difficulty of working outside, are not a good time to add employees.

The unemployment rate in Northern Colorado jumped to over 5 percent in July before dropping back under that level. I expect unemployment to go as high as 7 percent in Northern Colorado, and the U.S. unemployment level to go as high as 9 percent. The local economy is relatively better off than the general U.S. economy.

Growth Index

September and October were contradictory months. I expect the economy to contract further into 2009.



Construction, residential real estate

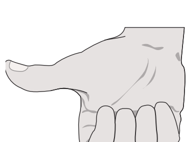
Total value of construction put in place dropped substantially under $50 million in September and October. That's the third step down in the current contraction in the construction sector. The first was from 2004 peaks over $200 million; the second was from 2007 levels of $75 million. With luck, construction in the health care and alternative energy sectors will keep construction from falling further.

A positive development is the incoming

Clean energy floats technology sector

'Bubble' survivors take steps to work through recession

By Kristen Tatti
ktatti@ncbr.com



Technology

Recently announced layoffs and pay reductions at Northern Colorado technology employers paint a bleak picture for 2009, but the sector could be bolstered by rapidly ramping clean-energy firms.

A number of the region's largest technology employers are revising earning estimates and taking cost-cutting steps in response to the current recession. Eastman Kodak has completely pulled its second-half and full-year guidance for revenues and earnings due to the recession and turbulence in currency markets. Advanced Energy will trim about 10 percent of the workforce at its Fort Collins headquarters as part of a 7 percent worldwide reduction. Agilent Technologies will trim 20 to 25 jobs between its Loveland and Colorado Springs sites.

The region is a little wary of tech cuts following the tech-led recession that started in 2002 and cost thousands of jobs. Colorado saw employment in manufacturing decline by more than 20,000 positions from 2001 to 2008, and estimates see that sector continuing to decline.

John Privette, president of the Northern Colorado Networking Group, said the organization recently has seen a spike in attendees. NoCoNet was born out of the tech bust, with unemployed and underemployed workers gathering to support each other in the search for new careers.

NoCoNet now attracts workers from all sectors, though many from technology still flock there. Privette said they were seeing 45 to 50 attendees at the weekly meetings at the start of the year. At a meeting in early December, he estimated more than 85 were present.

Cushion the impact

However, Northern Colorado's high-tech firms are not likely to take the beating they did during the tech bust. Like Agilent (see story on page 1A) and AE, many of these companies took lessons learned from the previous downturn to put in place a structure that while not recession-proof at least cushions the potential impact.

The region's high-tech employment today does not resemble the high tech employment of 2001. Scalable functions such as manufacturing are handled mostly overseas. Locally, the focus is on research and development.

Clean and renewable energy technologies appear to be weathering the storm, so far. AE reported that sales were down 13.1 percent through the third quarter of the year; however, the company's sales in the non-semiconductor segment were up 25.4 percent. The fastest growing market for the company is its relatively new solar products, which grew from 6.2 percent of sales through the third quarter last year to 23.2 percent in 2008.

Clean energy proved to be a strong spot in 2008 and promises to do the same in 2009. Northern Colorado startup firms Solix Biofuels and AVA Solar are planning to ramp up production during 2009, spending millions in recently landed financing to do so.

Vestas Wind Systems, which opened its Windsor blade-manufacturing site at the start of 2008, has already attracted a supplier to the region. Composite material manufacturer Hexcel Corp. plans to locate its facility near Vestas. The coming year could see additional interest in the region due to the energy firms expanding here.

While it's impossible to see job cuts and pay reductions as a positive, there is light at the end of the tech tunnel. Consumers might be cutting back, but the high-tech firms impacted by that now know what to expect and how to cushion that blow. At the same time, investments in the region's clean energy sector are going strong.

AGILENT, from 1A

and Exchange Commission documents.

Not a new measure

The temporary reduction will go into effect on Jan. 1 and will be reviewed quarterly. The pay cuts are expected to save the company $110 million, which translates into about 1,100 jobs.

"With a relatively small reduction in pay for everybody the intent is to avoid more drastic action," Mooney said. "We've actually used this before. It's not a new measure."

Today's local Agilent workforce is a fraction of what it once was. Agilent spun off from Hewlett-Packard Co. in 1999. By 2002, Agilent employed 3,200 in Northern Colorado, but when the tech bubble burst, it resulted in painful job losses at high-tech employers in the region and around the world.

The massive restructuring plans that technology firms implemented in 2002, 2003 and 2004 stripped down U.S. employment, moving much of the manufacturing work overseas. Now, companies like Agilent are reaping the benefit of plans that were made during the last down cycle to cushion the impact.

"Long before the more visible impact of the current downturn, we started taking other measures to prepare," Mooney explained.

This summer, Agilent implemented a hiring freeze for non-critical positions and reduced travel and other business expenditures. In November, the company put into place a pay freeze and announced that employees would have off for two weeks at the end of the year. Mooney clarified that the two weeks off — during the weeks of Christmas and New Year's — could be paid vacation for employees who still had vacation time accrued.

Not including the reduction in positions recently announced, the cost-saving measures are expected to save Agilent about $300 million. While pay reductions and job cuts are never good news, the technology industry will at least move into a year started in recession with plans and options in place.

President's promise to initiate an infrastructure development and repair program. A similar Public Works Administration program helped pull the United States out of the Depression in the 1930s.

The market for single family homes is even more depressing than just three months ago. Contraction in employment will further decrease the demand for homes at a time when the national supply of single family residences is over 11 months. A national program incorporating low 30-year mortgage rates (4.5 percent) would be a great boost in demand for this oversupply, but tighter credit conditions will make it harder for buyers to qualify.

Sales tax, retail, bankruptcies

The issuance of new and renewed sales tax accounts in Northern Colorado has leveled off at about 425 per month. Most existing retail businesses are renewing their tax accounts, but new entrepreneurs are hesitant to enter the retail market.

Retail sales data is again late; now available only through August. Thus, retail sales data does not reflect the national slowdown. This contraction in the local retail sector will show up in the November data when it becomes available after January 1. The Christmas selling season is not likely to exceed 2007 levels.

Bankruptcies are still a problem in Northern Colorado, fluctuating around 2003 levels. Some home foreclosures are working their way through to bankruptcy, keeping the number of bankruptcies higher than it would otherwise be.

The Index of Economic Growth in Northern Colorado is now at 1996 levels and is probably headed lower over the coming months. The Northern Colorado economy had a nice ride in the 1990s and early 2000s, but is now giving up much of this growth. And it looks like the contraction is not over.

John W. Green is a regional economist who compiles the Northern Colorado Business Report*'s Index of Leading Economic Indicators. He can be reached at jgreen@ncbr.com.*

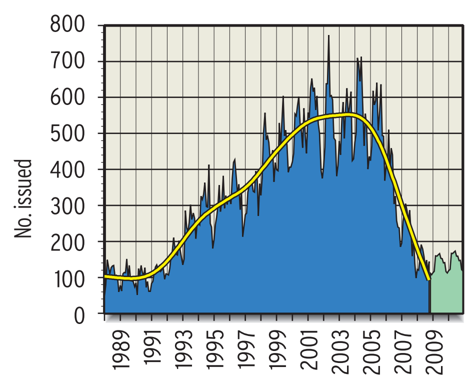
KEY

These economic indicators are a provided by U.S. Dept. of Agriculture economist John Green.

Historic | Forecast | Trend

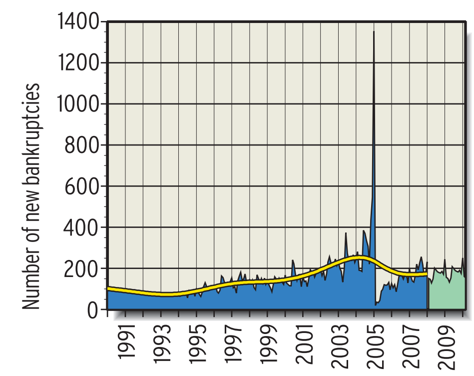
Single-family permits

The number of permits issued is bouncing around the 140 level, close to the 1991 level.



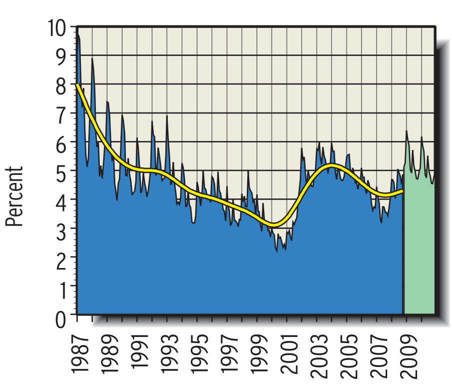
New bankruptcies

Bankruptcies are at about 2001 levels, not far above the levels in 1991 at which this index is based.



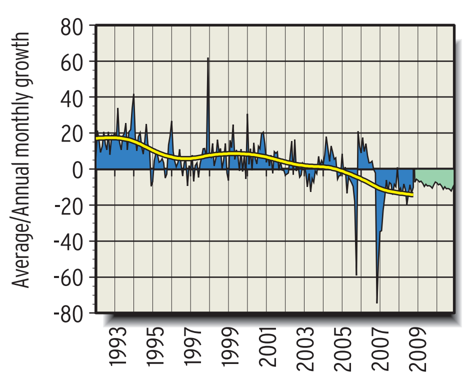
Unemployment rate

Local unemployment rate is about two percentage points below the national rate.



Growth in the region

Growth in Northern Colorado continues to slow, although not as fast as in late 2007.



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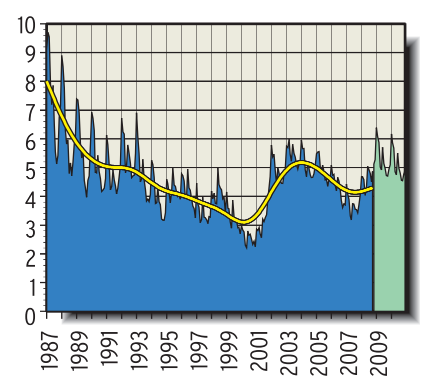
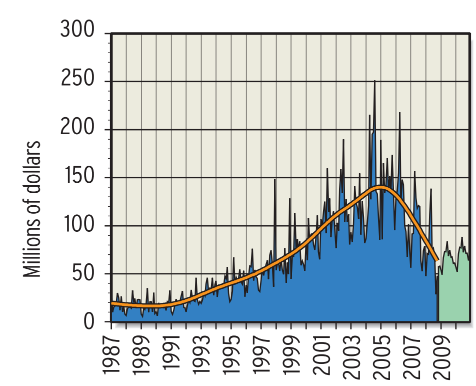


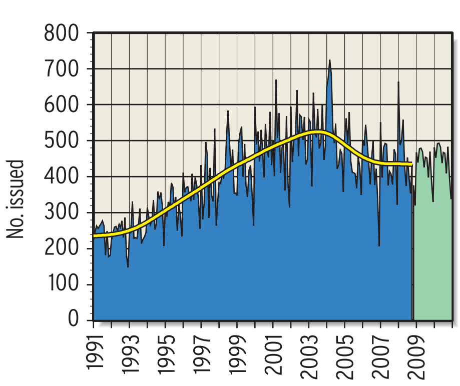
Total construction value

Construction is adding less than $50 million per month to the Northern Colorado economy.



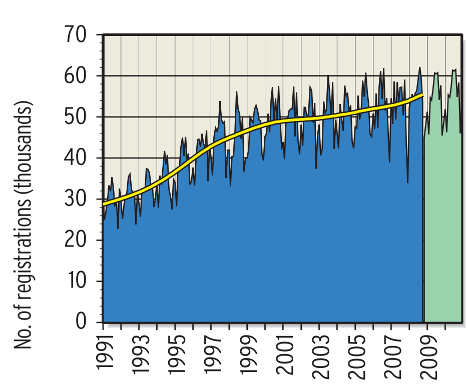
New sales-tax accounts

New and renewed sales-tax accounts issued remain at 2005-07 levels, slower than earlier in the year.



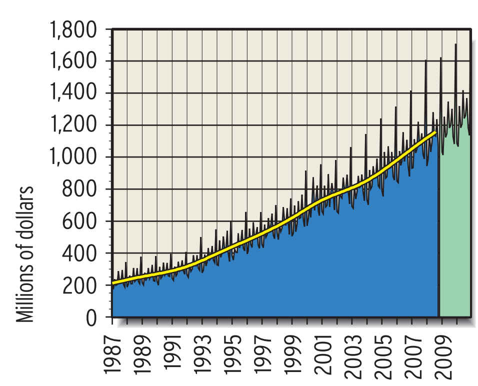
Motor-vehicle registrations

Motor-vehicle registrations were very strong in September, but have been weak in all other months.



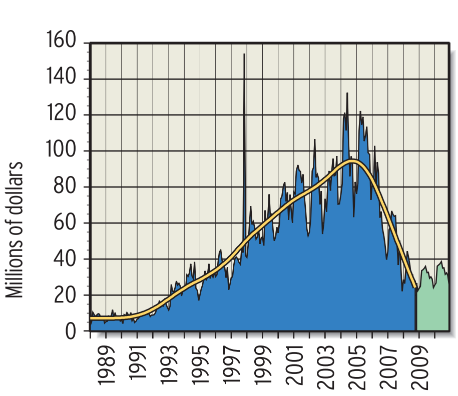
Retail sales

The index is four times greater than it was in 1991. Don't believe the forecast, it is way too optimistic.



Single-family permit value

The value of housing added each month is back to 1996 levels, number of units added is at 1991 levels.



ECONOMIC ROUNDTABLE

ROUNDTABLE, from 11A

have been failing?

Bower: I think there's a big distinction between investment banks — the Citi Banks, Bank of America — and the small community banks. Obviously, I represent a small community bank so, upfront, I'm biased. But I've always believed that the founding fathers tried to decentralize power. They were afraid of centralized power in any way, shape, or form. So they broke the government up, and they didn't want a centralized banking system, as well.

So in my personal, biased opinion, we need to look back to a Standard Oil type of scenario, when they broke that company up and said, we're not going to allow that to get that big, that powerful because it's not good for our country. We need competition.

When you have thousands of small community banks across the country, if one gets out of hand, it's really easy to deal with. We can take care of it.

Let me speak also to the liquidity crisis. Small banks generally operate with deposits that are very local. And we've stuck to more traditional models of lending out less than what we have in deposits. So we have strong liquidity and we're not in a "liquidity crunch" because we never were pushing the envelope with liquidity.

The large corporate banks, they lent out much more than they had on deposit. They used commercial paper to fund a lot of their loans and their activities. It's speculative, risky, and that investment activity is really the crux of the crunch.

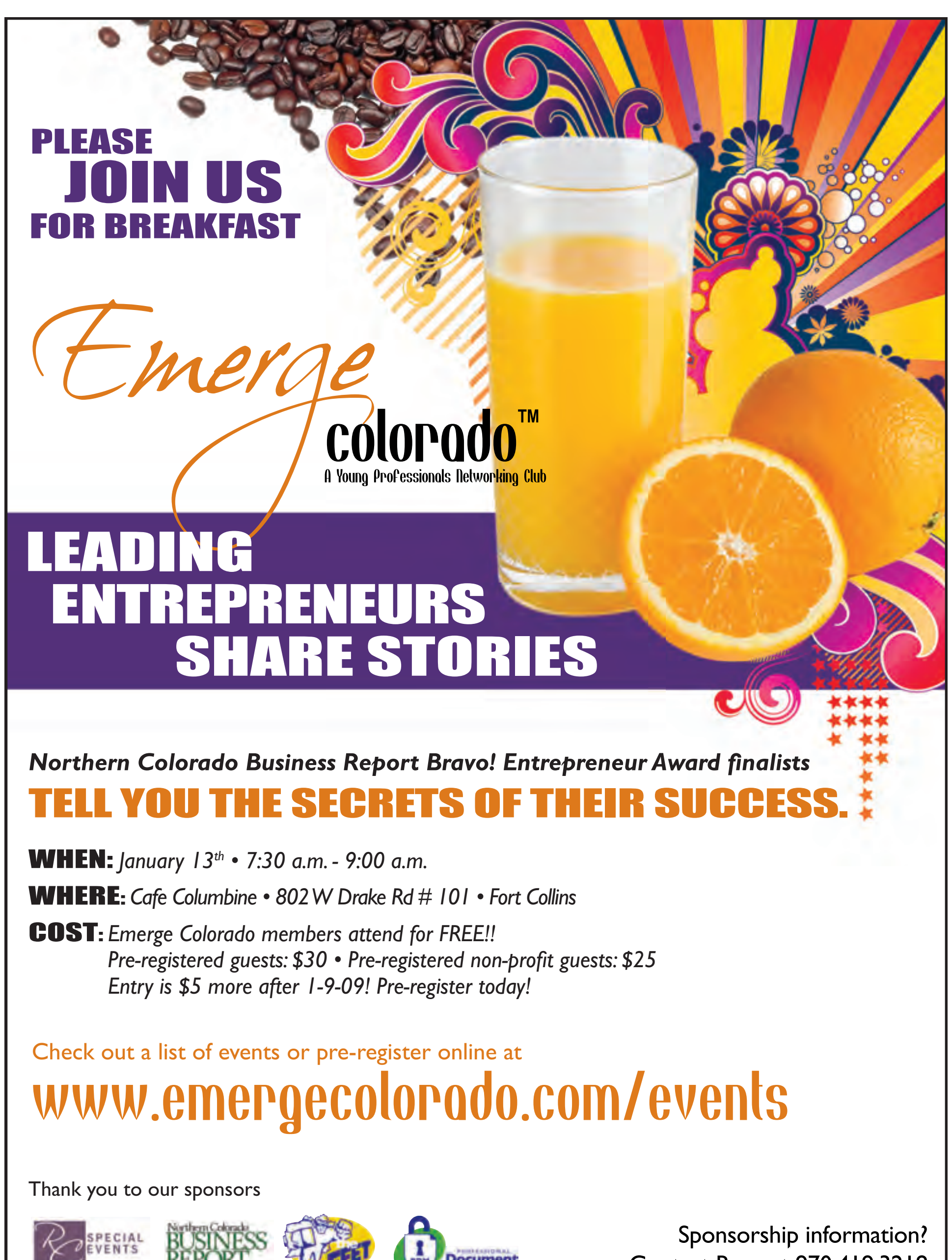
Dohn: I think this community bank system has really worked well in our area and in a lot of the smaller markets when they all work together and they can participate in loans. But the lending limits and the liquidity levels of community banks make it a struggle on larger projects. There are limits for those projects, and for the bank. They can't do the old way of participating with maybe two-thirds of that loan out to another community bank.

As far as I can see, there is no means for participation these days or of sharing this risk. It's causing tremendous problems on larger construction loans.

Hacker: Brad, obviously we have a big stake in this region in renewable energy, and the governor has staked his political reputation on that. What do you see in that arena? Are there other companies that you know about that are coming forward in the next year?

Florin: Absolutely. Green technology is one of the hottest areas for angel investing for 2009. We have a benefit here in our local market that the research coming out of CSU is actually spawning some startups. I had a meeting with one last week. It is one of the better growth areas.

With the price of oil coming down, hopefully the focus stays on developing these alternative energies. It's still a hot market regardless of what's happening on Wall Street and banks and real estate, construction and all these things. We've seen several good things come out of CSU for green technology.



Tatti: Do you feel that deals in that sector are being held to a really high standard as maybe some of the other top companies are being held to?

Florin: No question. In a tougher market everybody is looking closer at what investments they make, whether they be in the public stock market, real estate, or angel investing. So, yes, the scrutiny is really high. The " green" company automatically gets to the top of the queue. And then beyond that it's certainly the management team, whether they can protect that with patents, and so forth. Those are key things.

Steve Porter: Steve, there have been some pretty powerful criticisms raised by the Environmental Protection Agency of the Glade Reservoir water supply project. If that project does not get approval from the Army Corps of Engineers, what do you foresee for the region's ag sector?

2009 Economic Roundtable

Brad Florin

"To me, a down economic cycle seems like a great time to start a company."

Koontz: That's a difficult question. Any type of water question in the West is nothing but trouble. As they say, whiskey is for drinking, and water is for fighting. Probably one of the best quotes I've heard about the Glade project was from Reagan Waskom, the director of the Colorado Water Institute at CSU. He described the Poudre as a working river, and the people who are interested in pushing this particular project through have a right to do what they're proposing to do. Water rights are allocated that way. But, he said, even though the Poudre is a working river, this will probably work it to death.

You know this will have an impact on Fort Collins and the downstream communities. But these particular issues, with the need for water, are never going to go away. There simply has to be some discussion and some alternatives looked at for ensuring reasonable water supply.

Porter: Part of the idea is that if they have water supply there, it will take the pressure off buying agricultural water rights and keep farmland in production longer. But if it doesn't work out, then that farmland is going much more quickly out of production.

Koontz: It's very unpopular to say this within rural communities, but I think that's inevitable. The irrigation projects developed here allowed agriculture to develop. It also allowed cities and communities to grow. But now agriculture cannot compete with cities for the value of that water. There are simply too many dollars in the cities, and they will attract the water.

It will be a very drawn-out, difficult battle over whether or not rights are transferable and how they're purchased. And there are always these spillover effects. When one person makes a change in the water uses, it has impacts on the other people, on the ditch, on the river, elsewhere. It's simply unavoidable.

Porter: Dr. Wallace, you and other members of the 208 Commission worked long and hard to come up with a set of healt-care reform recommendations this past spring. Now you have been appointed to the Governor's Centennial Panel to try to come up with coverage plans. How do you view the future of that?

2009 Economic Roundtable

Stephen Koontz

"Even though the Poudre is a working river, this will probably work it to death."

Wallace: I think we've seen small changes, which is reassuring, that people are using what we did as somewhat of a road map to get there. We're seeing people spend time looking at the cost of care. If we don't do that, we're never going to get this thing solved, so that's reassuring to me.

One of the things that's been clear to me is almost everybody today thinks if there's a realistic chance to make some change happen sooner, it's going to be built upon the current system. The majority of people in Colorado are covered by their employer-sponsored insurance. We've got to build on that system and not have it deteriorate any further. Gradually we'll have to build up some of the public programming.

We've got so many people who can't afford health-care coverage. The gap between those who are eligible for public programs and the number for what a family needs in order to buy something in the private market is still big. So, there has to be a subsidy program. The big wildcard is going to be, is there any public money to help offset the cost for the working poor?

2009 Economic Roundtable

Mark Wallace

"A large contingent in Northern Colorado is very vocal about moving to a single-payer structure of health-care financing here."

Porter: Have you sensed a good faith effort from the insurance industry to take part in this?

Wallace: I think part of what we're seeing in the insurance industry is there is a fear that they may be regulated to a point where they don't want to be, and they better come to the table and play and play differently than they've played before. I think part of what's happening is we're seeing insurance companies recognizing that there is at least a popular movement that is very much against the private, for-profit insurance companies. So I think they're coming to the table and trying to do a different game plan.

Hacker: Terri, commercial brokers have been telling me that more and more interest is coming from out of state, from way outside this region, in investment properties in Northern Colorado. Are you seeing the

See ROUNDTABLE, 15A

ECONOMIC ROUNDTABLE

ROUNDTABLE, from 14A

same trend?

Shields: That is true. There is a lot of money coming into the area. We saw when the interest rates were way down, probably 18 months to two years ago, there were a lot of investors coming in, looking around, trying to purchase investment property in this area. We had a number of properties under contract. When the market quickly started to change, we saw a lot of those investment companies pull out of their contracts. I mean, it happened just like that. But I think in the last three months or so, there's been a lot of change. The investors are coming back. I believe that as we approach 2010, we will start to see more influx of outside investors coming into our state.

Tatti: Brad, you survived the bursting of the tech bubble with your software company. Maybe you could talk a little bit how this downturn is different from the 2002 tech bust and maybe how it's similar.

2009 Economic Roundtable

Stephen Koontz

"The sector there that's really growing is the dairy industry."

Florin: We did not buy into the bubble that came with technology in the 1990s. We didn't try to go out and raise money in crazy valuations. We focused more on taking care of customers. If you're going to have this speculative nature — whether you're in Wall Street, banking, construction, real estate, or technology — you're out on the fringe, and you're at risk. So if something happens, you're going to be the first one that's going to have its neck chopped off.

2009 Economic Roundtable

Doug Dohn

"I think there are projects out there, unlike other slow periods I've been through in the '80s and '90s."

There have been times over the past 15 years where we had a bad enough of a downturn we had to have a minor layoff. You learn how to live through it. And as long as you haven't taken extraordinary risks, then your business shouldn't be at risk. You may not be as large as you'd like to be or grow as fast as you'd like to grow.

Hacker: Steve, how do you see the future of corn-based ethanol? There's been a lot of speculation that this product will have a shortened lifespan. How do you see that?

Koontz: I see it fairly differently than how it gets talked about in the press. Ethanol — boy, I hope this doesn't get quoted too much — is not a biofuel. It's not an effective biofuel. It's an inefficient fuel compared to other fuels, but what it is essential for is an oxygenate. It's absolutely essential for blending to meet clean air standards. I mean, think back to the brown cloud over Denver. You have to have fuel oxygenates to maintain air quality in populated areas.

So the real boom in that market came from that policy decision. You know, the future will be in cellulose instead of corn-based ethanol. But that will happen no time soon. The technology on that is still in its infant stages. They're still discovering ways to make that work, and we're a long way from making that industrial process something you can do at industrial speeds and actually make some money on it.

Hacker: Doug, it's been kind of a roller coaster ride for the last few years with building commodity prices — steel, cement, lumber — just rising through the roof. What do you see for these commodities in the next year?

Dohn: The only commodity that we're getting any kind of indication of price increase is cement. And I suspect they won't be able to pull it off, to get a price increase because demand is starting to drop. Steel has stabilized. It hasn't come down. Wood is at a record low. Mills are trying to get anything they can lumber-wise. Most commodities have seen a stabilization. Labor rates have definitely started to stabilize. That was one of our biggest pushes over the last three or four years was labor rates in construction were skyrocketing. We're finding a lot more opportunity to hire good employees.

Tatti: Mark, can you talk a little bit about what you are seeing in the loan pipeline at Home State Bank?

Bower: We're still seeing a fairly strong pipeline, because there are still a lot of deals that make sense, a lot of good borrowers and some projects going forward. To some degree we think that everything has totally come to a standstill, but there are still houses being built. There is still commercial construction being done. Everything is relative. It's not maybe like it was two years ago where for every deal there were seven banks going after it. But we still have loan demands, and people coming in with good ideas on projects and getting them done.

Hacker: Let's go around the table and give people an opportunity to describe some of the good news that you see coming in the next year. Mark?

Wallace: Well, we are still the healthiest state in the nation here in Colorado, so that's kind of nice. We're the only blue state on the map of overweight and unhealthy states, so we're trying to maintain that status as a very healthy, active, lean state.

On the health-care reform front, I think the good news is that we're at a place where I think people recognize that doing nothing is not OK anymore. Sitting around and just deciding to run business the way we've done it before and not have some of these tough debates is something in the past.

See ROUNDTABLE, 17A

Commercial brokers look ahead with caution

By Tom Hacker
thacker@ncbr.com

Commercial Real Estate

ECONOMIC FORECAST 2009

The annual holiday party for the Northern Colorado Commercial Association of Realtors, the networking and education group that brings together commercial brokers from throughout the region, usually provides a bellwether for the year ahead.

At this season's gathering on Dec. 4, much of the buzz was about the trillion-dollar hemorrhage of global capital markets in the prior two months. But oddly, the financial meltdown didn't smother optimism among members of this perennially optimistic group.

"We're in a rough spot, for sure," said Kevin Brinkman, principal of the fast-growing Brinkman Partners integrated commercial development, construction and brokerage firm in Fort Collins. "But we've been in rough spots before, and gotten through, and there are still some strengths in this market."

The consensus that has developed among the commercial brokers, bankers who specialize in commercial real estate services and builders who bid new projects is that the recession that clearly has the region in its grip could be briefer, and less deep, than in other parts of the country.

"I think the outlook for 2009 will be much like 2008," said Michael Ehler, managing broker at Realtec Commercial Real Estate Services, with offices in Fort Collins, Loveland and Greeley. "We don't see the market declining as much as some people have talked about. The best case? We'll see some real improvement by the second half of the year. The worst case is that we wait until 2010."

Tenants' market

Because of the swelling inventory of office and retail space throughout the region, and the corresponding high vacancy rates, landlords are making deals with prospective tenants that would have been inconceivable during the high-rolling 1990s when space in those categories was squeaky tight.

As Greeley Realtec broker Mark Bradley put it earlier this fall, landlords are "having to get pretty creative" with their listings, adjusting lease rates and offering perks to accommodate the changing market. "If you're a tenant, and thinking at all of making a change, now is the time," he said. "There are some deals to be made."

While the most recent statistics available fail to show it, lease rates are falling – especially for older, class B office space as tenants migrate toward the new class A space that has been built at a record pace in the past three years. Class A office lease rates in the most desirable locations in Northern Colorado – such as the Harmony corridor in Fort Collins and the vicinity of the Interstate 25/U.S. Higway 34 junction – have remained stable over the past two years, with a top rate of about $25 per foot, triple-net.

Industrial surge

Industrial space in the region, especially properties that offer 10,000 to 30,000 square feet of space, is in high demand, brokers throughout the region have reported during the second half of 2008. As 2009 gets under way, all eyes will be on the manufacturing employment sector – one that has shown signs of improvement even amid job cuts that have been documented in the past three months.

The Denver-based Broe Group, owner and developer of the Great Western Industrial Park in Windsor, is still on track with plans to build 600,000 square feet of industrial space on acreage just west of the Vestas Wind Systems plant for lease to users that Broe officials say are close to decisions.

Retail, office vacancy rates soar

In most parts of Northern Colorado, commercial space vacancies have risen sharply in the past two years. The exception is office space in Greeley, which has been absorbed more quickly since 2006 than in other areas.

	Third quarter, 2006	Third quarter, 2008
FORT COLLINS		
Retail	5.7 percent	8.7 percent
Office	10.3 percent	14.4 percent
LOVELAND		
Retail	3.5 percent	7.6 percent
Office	6.8 percent	9.7 percent
GREELEY		
Retail	5.5 percent	14 percent
Office	20.1 percent	16.2 percent

SOURCE: REALTEC COMMERCIAL REAL ESTATE SERVICES INC.

The prospect for new jobs is what differentiates Northern Colorado from other parts of the nation, where job losses are mounting and unemployment rates project to rise higher than they have been since the recession of the early 1990s, brokers say.

"I'm suspecting that the first half of the new year will be bad, and that the second half will be a lot better," Bradley said. "We can thank goodness we're in Northern Colorado. Colorado is performing better than the rest of the country, and Northern Colorado is better off than the rest of the state."

Housing industry's wreckage clearing away

Brokers, builders will still have plenty to do amid continuing crisis

By Tom Hacker
thacker@ncbr.com

Residential Real Estate

If the global market collapse that swept through world economies in September and October had a ground zero, it was in the U.S. housing industry.

The panic was widely attributed to the glut of failed home loans that led to the collapse of some of the largest financial institutions in the nation, and it will take time — beyond just the year ahead — to turn around a housing market that has lost $2 trillion of its value.

Northern Colorado's share of the mess is a mixed bag. Some of the brightest signs amid the gloom are found in Larimer County markets, and some of the darkest signals are in the hard-hit neighborhoods of Greeley and Evans, where some home values have plummeted as much as 50 percent.

"I had become relatively bullish by the summer, thinking the worst was behind us," said Bruce Willard, managing broker at Austin & Austin Real Estate in Greeley, the city's oldest brokerage. "We started into this sooner than the rest of the country, and I thought we would come out of it sooner. Now, I'm not sure. But if we're not at the bottom yet, we're really, really close."

Year-end statistics on homes sold in the three zip codes that make up the Greeley-Evans market tell the story. Of the 1,542 residential properties sold during the first 11 months of 2008, 634 of them were priced below $125,000. Of the sales in that price range, 462 — or nearly three-quarters — were bank-owned foreclosures.

Tumbling values

A July *Business Report* pulse-taking in the hardest-hit area of that market, the east Greeley zip code 80631, showed a median price of $96,000 for the 217 units sold there. By December, the number of sales had doubled to 445, but the median price had fallen to $85,000. Taking the numbers a step lower, the 266 bank-owned foreclosure sales in that zip code had a median price of $63,000 — a price point few Northern Coloradans could have imagined possible just a few years ago.

On the western side of the county line the numbers by which the market is measured are vastly different. While some homeowners still grumble that their most valuable asset is not appreciating in value, brokers who list the properties say that blessings abound in the comparisons to other markets in the state and nation.

"We are situated so much better here than in most of California or Florida or Arizona," said Chris Hardy, branch manager at Coldwell Banker Residential Brokerage in Fort Collins. "We go on and on about how all real estate is local. That's the thing that gives me some optimism. It's cautious optimism, as (regional economist) Martin Shields likes to say, but it's still optimism. … It's true that we've been relatively flat, but flat is better than being down 20 percent or more."

See RESIDENTIAL, 18A

ROUNDTABLE, from 15A

People are coming to the table, trying to figure out ways to do even incremental reform, which doesn't satisfy everybody, but at least gets us moving on the debate.

Hacker: Thanks, Mark. Steve?

Koontz: The good news for agriculture, I think, is in rising prices. When I moved here in the late '90s, commodity prices were very low. There wasn't much opportunity. And the volatility and inflation we'd seen on the food side actually created some opportunities for commercial agriculture and created some profit opportunity. If you have some money to work with and you can do something different down the road.

We're also seeing some changes at JBS Swift with the South Americans coming in. There are some interesting changes there. We're seeing growth in the dairy industry. That industry continues to grow and make money in Northern Colorado. The organic movement has a pretty good foothold here. There are some food businesses that are growing and doing well, so that's good news.

Hacker: Brad, what's your good news?

Florin: The good news for 2009 is that necessity is the mother of invention. You have companies that have had to tighten their belts. They have to let people go. But these people don't go home and just sit. They need to figure out a way to make a living, so they can become consultants. They can find a company that needs their talent. This is an amazing global economy. You get laid off on a Friday afternoon, and you go home that weekend and you get on your computer, open your Internet connection, use your Skype connection to get around the country or the world. It's just amazing today. The entrepreneurship environment couldn't be better.

2009 Economic Roundtable

Brad Florin

"Green technology is one of the hottest areas for angel investing for 2009."

To me, tough times cause innovation. So I think that's the good news in 2009. We have lots more people that are out of their comfort zone and they've got to go out and do something very different. I think we'll see some exciting things happen.

Hacker: Terri, how about you?

Shields: First, I don't think there's much good news for residential real estate in 2009, but the commercial sector is different. I think CSU brings a lot to the table where commercial real estate is concerned, and I think that will help in 2009. Property value is coming back in line with the market, and we're going to continue to start getting the investors coming back into the market. But I just see CSU carrying so much of the load, especially with the new energy cluster.

Dohn: I have seen a lot of really positive things. You know, I get mired in some of the doom and gloom we read in the papers and so on. But there's a lot, I believe, of positive things in our region. I started three buildings in November.

But it's not such a bad thing to slow down, either. This is probably the first time in our 16 years that we've gotten a little bit of a breathing room so that we can really re-energize and retool. We have time to really train people, really show improvement and really be ready for when the good times come again. I'm 100 percent convinced they're coming, and I don't think it's going to be very long. 2009 is going to be challenging, but I think there's going to be some great opportunities for our company to improve and get better and to be ready to face new challenges.

Hacker: Thanks, Doug. Mark?

Bower: I have similar thoughts. I think we're obviously going to be that much closer to the recovery. That's the good news. I think that a recession, as painful as it is, is the free market's way of getting rid of speculation that really didn't make a lot of sense. Companies that are able to adapt come out of it with better market share, stronger and more well positioned to really have a better foundation for long-term growth than they were before.

2009 Economic Roundtable

Mark Bower

"I'm optimistic that we have some good things going for our region."

So I'm optimistic that we have some good things going for our region, and that the downturn won't be as severe for us as it is for the rest of the country. Sometime in 2009 we'll all be seeing indicators that unemployment is starting to drop and housing is starting to pick up, and we'll see some things that are turning the other direction and we'll all be a lot more relieved.

Hacker: That's a nice note to end on.

Bower: I hope it's true.

WILLMS, from 3A

NCBR: What do you feel is really a chamber's place in a community?

Willms: The key part is to start off with the name "chamber of commerce." Commerce — that's the key word. It's about business. We're going to be about the community, but we're about the business community.

In my perspective and experience, chambers are typically offering four things on a very broad scale. They're offering an opportunity for connections, visibility, education and advocacy. They can be involved in economic development. They can be involved with tourism. But I think those four aspects are really the key.

NCBR: Of those keys, where is the Loveland Chamber lacking right now?

Willms: I think the area that we need to be stronger in — and the area that will be new for this chamber — is advocacy. We have a great role as far as being one of the partners in the Northern Colorado Legislative Alliance. The unfortunate piece of that is a lot of our investors are not aware of NCLA and what that means.

This is a chamber that really hasn't, at least in recent history, taken a lot of stands or positions on legislative issues or initiatives. It's really something that as a chamber of commerce representing business we should be doing. If you look at Fort Collins and Greeley, they both have legislative affairs or government relations committees. We don't have one. We will.

NCBR: How will the legislative affairs committee work?

Willms: We'll start out with a core group to determine how it will be set up and we will probably be launching it in late January or early February. It's going to act as a bridge between what NCLA is doing and the chamber, so we can get more people involved and at least understanding what's taking place.

If (members) are getting involved in the legislative affairs committee, those are the perfect people to be the watchdogs who know of issues or initiatives that could be impacting business and bring them to the forefront for the chamber to take a look. It won't be their role to take a position and define the position. That will always go back to the board.

NCBR: What other action items are you embarking on?

Willms: We've got a pretty aggressive agenda here for the first quarter of 2009. We've got three event programs that we are launching in January.

One is the CEO Connection. It's really a chance for myself to interact with our investors. We're going to offer between 26 and 28 times throughout 2009 for members to come in. It's going to be on an invitation basis, but the invitation will go out to everybody. We want to keep it intimate, so each of the sessions will be about 15 people. It will be an open forum, open agenda and allow those individuals to talk about whatever they feel is important to them. It's going to help us understand what their needs are and really be able to provide more of a value proposition.

Another (action item) is with Web 2.0, social media tools. I'm a big believer in those. I think they're a really effective and inexpensive way for businesses and organizations to communicate and do marketing. It just so happens that we've got some great experts here in our community that I'm not certain everyone's aware of. We're going to bring this core group together to form a Web 2.0 committee. Their piece will be how can we help to get these tools out and make sure our investors are aware of these tools and how to utilize them. They will help figure out the educational part of it as well.

We'll have an educational event called CyberChat that we will be launching in January. We will do at least 12 of those; we may do more. The nice thing is we'll be going hot here in the chamber so that we have high-speed wireless. So when people come into our conference room to the event, they will be able to follow right along with the folks who are talking. There will be a session on Twitter, on LinkedIn, Facebook, MeetUp — who knows what else we'll hit on? But we'll certainly get into those pieces.

We're going to do something with young professionals. We don't want to copy or duplicate what Envision is doing or what Emerge is doing. We see it as a steppingstone for Leadership Loveland, where you are engaged for an all-day course on one subject. Our young professionals might do an hour-and-a-half educational session. It's also a chance for the younger professionals to come together and meet with their peers, collaborate on what they are trying to do. It's a chance for career development, looking for board opportunities. We're a great hub.

We'll be doing a speed-networking event. I think we're calling it QuickNet Leads. We'll bring in a group of people who will divide into groups of three or four with each person getting about two minutes and then we'll rotate. The nice thing is that there will be a professional facilitator involved who will be able to give some instructions and mini-lessons before we go into it.

Eventually, we can get the regulars to become table captains. They can help educate and facilitate so that the person who is going in and doing the shameless self-promotion understands that there are some other things you can do that will bring more value to you and more value to the people who are participating.

Another major thing we're doing is a relaunch of our Web site. We want to get to the point where we can change the content on a very frequent basis. Using it as a place that is a hub for information so people can go to it and learn about not just our events but if there is something taking place on the legislative side or if there is a great event that another organization is putting out. We'll have blogs, podcasts, hopefully an online registration system. We'll be changing our e-newsletter and our online calendar.

NCBR: What is your long-term goal for the chamber?

Willms: Well, No. 1, we need to be identified as the business voice for Loveland. With that, there are a lot of things we need to figure out. There is a lot of talk about a lodging tax. It all stems to how Loveland is promoting tourism. I think that comes in because there is not a defined convention and visitors bureau. I think the chamber needs to identify if we want to take on that role. If so, how would that look? And if we don't take on that role, how can we be a good collaborative partner to get that established somewhere else? If we do take on that role, we need to figure out how that will affect our plan over the next five years.

NCBR: What do you feel will be the biggest challenge for the chamber in the coming year?

Willms: We have a lot of lofty goals and aggressive plans, and we're doing this in a down economy. How viable are these plans? I think they're very viable because there are a lot of things not being done. Just the fact that we're taking action and working to move toward the objective of being that business voice will help us become more sustainable.

There is the challenge of the down economy. We're looking for sponsors on those events, and businesses are certainly pulling back and tightening up. I think the key piece is can we show that there is actual value for what we're offering.

We're also going to have to really watch what happens with membership, or what I call investors. This is the time that people are going to be saying we have to cut back, when businesses will look and say, 'Do I really need this chamber membership?'

And that's the key; it's not just a membership. It is an investment. We want people to see that they should be getting a return greater than what you're putting into it. Therefore, if you take your dollars out you'll be losing something of value. That changes the way people are looking at it.

Another paradigm shift is that a lot of times people look at chamber membership like a gym, in that you put your money into it but if you don't show up that's your fault. But if you look at the bulk of chambers, most of the members are small business owners who have a very hard time leaving their business. So if you're telling them that they need to invest money and then the only way they will get something out of it is to show up and participate, why would they put money into it? We need to be providing value just for the financial contribution that they are giving.

You'll get an increased return on your investment if you can put the time and energy into participation. But if all you can do is write a check, we're going to make sure that you get your investment back through the different things that we're offering. Whether it be the directory, whether it be getting out there and advocating for you, you're going to see that return.

I think those things will help carry us through in a down economy, and like any other business when we come out of it we should be stronger. The momentum should take us even into that next level.

RESIDENTIAL, from 16A

Interest rates drop

Financing costs might shrink even more than the near-historic lows that buyers enjoy now, which should help fuel the market throughout the region, brokers say. Some pessimists in the real estate business are backing away from their recent predictions that the resetting of adjustable-rate mortgages during the next two years will touch off the next housing crisis, causing even more pain in the market.

"Some of the forecasts I'm seeing just recently are for this 4.5 percent, 30-year fixed rate," Hardy said.

That's great news for homebuilders, who make up the sector that has suffered the most severe of economic blows in the past two years. Lower interest rates will contribute to the further erosion of the existing inventory, bringing builders closer to the trigger point for renewed new-home construction.

Two of the region's most respected builders, metro Denver's Village Homes and Boulder County's McStain Communities, reeled in the second half of 2008, with Village now negotiating a Chapter 11 bankruptcy and McStain abandoning its 20,000-square-foot leased headquarters in Lafayette. Both might join other builders in making a 2009 comeback as the existing supply shrinks, brokers in the region say.

"What's happened to the small and medium-sized builders, especially, is just tragic," Hardy said. "But as our inventory drops, I've been anticipating that as we move into spring we'll begin to see some pent-up demand. The builders can't ramp up quickly enough to meet that."

Largest Windsor Employers

Private sector, ranked by number of employees

DataBank
The Vault's Always Open

RANK	PREV RANK	COMPANY ADDRESS PHONE/FAX	EMPLOYEES 2009 EMPLOYEES 2008	REVENUES 2008 REVENUES 2007	TYPE OF BUSINESS	E-MAIL WEB SITE	PERSON IN CHARGE TITLE PERSONNEL DIRECTOR YEAR FOUNDED
1	2	**KODAK COLORADO DIVISION** 9952 Eastman Park Drive Windsor, CO 80551 970-686-7611/	700 750	N/A N/A	Consumer and commercial imaging products.	N/A www.kodak.com	Rob Gray Site manager N/A 1969
2	NR	**VESTAS BLADES AMERICA INC.** 11140 Eastman Park Drive Windsor, CO 80550 970-674-6100/970-686-1103	650 650	N/A N/A	Manufactures wind turbines. The Windsor factory makes the blades for the turbines.	vestas@vestas.com www.vestas.com	Ditlev Engel CEO and President N/A 1979
3	1	**CARESTREAM HEALTH INC.** 2000 Howard Smith Ave. W. Windsor, CO 80550 970-686-7611/970-686-4447	650 650	N/A N/A	Medical films.	N/A www.carestreamhealth.com	Mike Haas Site manager N/A 2007
4	3	**CHAMPION AUTO GROUP INC./IRON MOUNTAIN** 871 Champion Drive Windsor, CO 80550 970-330-1800/970-330-2501	276 385	$202,197,267 $280,000,000	Automotive dealership, trucks, work vans and hybrids.	Chamberlainj@championagc.com www.ironmountainautoplex.com	Edwin John Chamberlain CEO Michelle Stolz 1999
5	4	**OWENS-ILLINOIS, INC. (O-I)** 11133 Weld County Road 64-3/4 Windsor, CO 80550 970-674-3800/419-247-2505	200 200	N/A $7,659,100,000	Glass-container manufacturer.	N/A www.o-i.com	Dwayne Wendler General manager Patricia Jones 1903
6	6	**UNIVERSAL FOREST PRODUCTS INC.** 15 Walnut St. Windsor, CO 80550-0389 970-686-9651/970-686-9670	113 145	$75,000,000 N/A	Manufacturer and distributor of wood and wood-alternative products to retail/dealer, site-built construction, concrete, manufactured housing and industrial markets.	N/A www.ufpi.com	Dick Frazer President Kathy Minear 1955
7	7	**METAL CONTAINER CORP.** 1201 Metal Container Court Windsor, CO 80550 970-686-1500/970-686-5761	112 111	N/A N/A	Aluminum beverage containers.	N/A www.anheuser-busch.com	Pat Payne Plant Manager Julie Cila 1987
8	8	**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION INC.** 7649 REA Parkway Fort Collins, CO 80528 970-226-1234/970-226-2123	93 90	$85,300,000 $73,266,951	Electric utility. 501(c)12	pvrea@pvrea.com www.pvrea.com	Robert "Brad" Gaskill CEO Duane Ziller 1939
9	9	**PACKAGING CORP. OF AMERICA** 1201 Cornerstone Drive Windsor, CO 80550 970-686-7600/970-686-5767	75 80	N/A N/A	Manufactures retail packaging products.	N/A www.packagingcorp.com	Robert Wilson General manager Lory Britt 1988
10	13	**TROLLCO INC. (DBA) WATER VALLEY LAND CO.** 1625 Pelican Lakes Point, Suite 201 Windsor, CO 80550 970-686-5828/970-686-2768	65 45	N/A N/A	Trollco: Residential, commercial and retail real estate development. Pelican Lakes Golf Course and Fitness Center, WaterValley and Poudre Tech Aggregrate.	info@watervalley.com www.watervalley.com	Martin Lind Owner N/A 1990
11	12	**PTARMIGAN COUNTRY CLUB** 5416 Vardon Way Fort Collins, CO 80528 970-226-8555/970-226-2836	60 50	N/A N/A	Full-service private country club, restaurant/banquet facilities, driving range, practice green, chipping area, locker rooms, tennis, swimming.	info@ptarmigancc.com www.ptarmigancc.com	Ron Flack; Ryan Flack and Mike Ball N/A N/A 1988
12	11	**ICE ENERGY LLC** 9351 Eastman Park Drive Windsor, CO 80550 970-545-3630/970-545-3634	55 55	N/A N/A	Energy storage solution for peak demand reduction for utilities.	IceInfo@ice-energy.com www.ice-energy.com	Gregory Tropsa and Frank Ramirez President and CEO N/A 2003
13	10	**AUSTIN'S HOMESTEAD BAR AND GRILL AT PELICAN LAKES** 1600 Pelican Lakes Point Windsor, CO 80550 970-674-1100/970-674-1175	50 58	N/A N/A	Indoor and outdoor meeting and event facilities for small or large groups with on-site catering.	Mike@austinshomestead.com www.austinshomestead.com	Amber Soliday Events coordinator N/A 2005
14	NR	**SNAPTRON INC.** 960 Diamond Valley Drive Windsor, CO 80550 970-686-5682/970-686-5279	50 50	N/A N/A	Manufacturing of metal tactile dome switches.	info@snaptron.com www.snaptron.com	Earl Tatman Owner N/A 1990

COMMENTARY

EDITORIAL

Region needs to prepare for life after NISP

Nearly four years ago, when plans for a regional water storage and distribution plan were unveiled with a new reservoir northwest of Fort Collins as its centerpiece, the *Business Report* weighed in with an editorial supporting the project.

Plenty has transpired since then, including the release of an exhaustive draft environmental impact statement by the U.S. Army Corps of Engineers, the agency that must evaluate the Northern Integrated Supply Project that would be built and owned by the Northern Colorado Water Conservancy District.

The city of Fort Collins replied first with a report that said in part that the project, if built, would lead to increased costs for treating potable water and wastewater discharge and would degrade water quality in the Cache la Poudre River. Water in the river would be the source for Glade Reservoir — a storage vessel larger than Horsetooth Reservoir — that is the linchpin of the NISP plan.

The regional office of the Environmental Protection Agency in September sent a 54-page letter attacking the Corps of Engineers report in the strongest possible language. The letter from EPA regional administrator Carol Rushin outlined the potential for the project to violate federal and state water quality standards, damage wildlife habitat along the Poudre's course and, to a lesser degree, on the South Platte River. A second letter in October detailed how the Corps of Engineers had failed to adequately evaluate alternatives to the NISP project.

For its part, the water district issued statements after the scathing EPA analysis saying that the agency's concerns could be addressed, and district officials said they were prepared to pay $1 million, on top of an earlier appropriation of $5 million, for expanded studies of the project. Good money after bad, in our opinion.

The flaws that the EPA analysis found in the draft EIS are so numerous, and so intricately detailed, that we doubt they can be fixed. There can be no worse economic damage that could be done to this region than to allow environmental quality, especially the health of our rivers, to be degraded.

What Northern Colorado needs most now is a renewed effort to address the region's water-supply problems that will only worsen with the passage of time. The crux of the issue is how growing cities, with populations rising at a rate of about 1.5 percent annually, can coexist with an agricultural economy that consumes 90 percent of the region's water.

NISP is a mistake we can't afford to make. Let's begin work on alternatives.

In 2009 the financial industry enlists the aid of some new advisors...

Despite claims, biofuels not to blame for food prices

GUEST COLUMN
Douglas Melcher

The Grocery Manufacturers Association is waging an aggressive campaign to convince Americans that biofuels are driving painful increases in food prices. The claim is not true. But it provides a nice cover for food companies as they report record profits.

The GMA lobbies Congress. Its mission is simple. Keep regulations low and profits high.

Lobbyists do much more than skate the marble halls of Congress in Gucci loafers, make campaign contributions and ask favors for clients. They engage high-powered public relations and advertising firms to shape public opinion so they can claim support for the positions most favorable to their clients.

We got an inside look at this confidence game last year when the GMA plan to blame biofuels for high food prices was leaked to the public by Sen. Charles Grassley, R-Iowa. The plan objectives: "obliterate whatever intellectual justification might exist for corn-based ethanol among policy elites," and then, "demonstrate there is a political price… Congress must be made to feel the political risk."

The proposal from a public relations firm to the GMA detailed how phony research, media flacks and congressional arm twisters would play a three-card Monte on consumers and Congress.

A temporary spike in corn prices gave these pirates an opening to drive a multi-million dollar public relations campaign to mislead the public. Even as the price of corn dropped in half, food prices were still increasing. The charade was exposed. They now will need a new angle to attack biofuels, and find it they certainly will.

Biofuels not connected to groceries

There are a number of reasons why food costs are high and why biofuels are not connected to the high price of our groceries.

- Biofuels are made from field corn, a grain humans do not eat in its raw state. We eat sweet corn. About 99 percent of all corn acres in the United States are used to grow field corn. In 2007 only 1.3 percent of the corn crop was used for cereals. All other food uses required only 8 percent of the crop.
- The U.S. Department of Agriculture calculates the actual cost of food in the product on the shelf averages 19 cents of every dollar. The corn in a $4 box of corn flakes represents a far lower percentage, only 8 cents. Food processing, packaging, transportation and retailing cost about $3 and rest is profit for the food companies.
- Globally, we have more food per person than ever in all of human history. The problem is not scarcity, it is political unrest, lack of infrastructure and capital in countries where food is needed.
- The demand for corn in the livestock and poultry sector has been relatively flat in the last 10 years while the amount of corn produced increases each year. American corn producers continue to be the world's top exporter of corn.
- When raw field corn goes into a processing plant to make a biofuel, such as ethanol, the biofuel is only one product of many. Every bushel of corn yields 18 pounds of distiller's grains, a good source of protein for livestock and poultry. In some processing methods a bushel of corn will produce 2.8 gallons of ethanol and 13.5 pounds of corn gluten feed, corn oil used in food processing, and 2.6 pounds of high-protein livestock feed.

The honest approach is food companies admitting record profits and be as accountable to consumers as they are to their stockholders. Don't count on it.

Douglas Melcher is Public Policy Chairman of the Colorado Corn Growers Association, based in Greeley.

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A 2009 wish list for Northern Colorado

From new energy to water storage, some new year ideas

The *Northern Colorado Business Report* editorial board — including the publisher, members of the editorial staff and visitors from the business community — met in late December to talk about the coming year and those things we would like to see happen.

The following — in no particular order — is our New Year's "wish list" for the benefit of our growing region.

■ The Colorado governor's so-called "New Energy Economy" will take wing in 2009 in ways that we don't even anticipate, with startup companies in the clean and renewable energy sector emerging.

■ The best minds in Northern Colorado will shed political considerations and move toward regional solutions for transportation problems that, if not addressed, will begin to paralyze our economy.

■ Someone with resources and a penchant for risk-taking will step up with a major project plan for downtown Greeley, one that can serve as a catalyst for resurgence and bring the Downtown Development Authority's voter-approved funding potential to bear.

■ Likewise, Loveland's elected officials will continue moving down the road to resurrecting that city's downtown district, building on the successes that will be recorded next year with innovative redevelopment projects.

■ The millions that will fund Fort ZED — a forward-thinking "net-zero" energy district covering part of Fort Collins — will bear fruit with a model for efficiency and sustainability that will make the city a national standard-bearer.

EDITOR'S NOTEBOOK
Tom Hacker

■ Timnath and Fort Collins will lay down the swords and figure out how a contested development plan called Riverwalk, a dense, mixed-use proposal for the southwest quadrant of Harmony Road and Interstate 25, can proceed to the benefit of both communities.

■ Windsor developer Martin Lind will find success in courting aviation-related businesses to set up shop at his Fort Collins-Loveland Airport commercial park, feeding the region's economy with hundreds of new, high-paying jobs.

■ From the ruins of General Growth Properties Inc., the real estate investment trust that owns Foothills Mall in Fort Collins, will emerge a development plan that will make the 72-acre site a new and vibrant commercial and residential center in the city.

■ Colorado's legislature will find ways to address the most crushing threat to small businesses — the costs of providing health-care coverage to employees. Let's get this solved in 2009.

■ The business incubator that operates under the auspices of the Rocky Mountain Innovation Initiative will have a new, and much more spacious, home where the most inventive companies in the region can thrive and grow, making Fort Collins and the region a research and development capital for the "Innovation Economy."

■ A Northern Colorado Water Congress will form, putting the most knowledgeable and talented people in Larimer and Weld counties to work on seeking solutions to water-supply problems that pit cities and farms against one another in competition for this scarcest of resources.

■ Some very, very smart crop science experts, chemists and other scientists will find a way to make cellulosic ethanol financially feasible, opening the potential for energy independence and creating an entirely new economic sector for Northern Colorado.

■ Colorado's legislature will undertake a renewed effort to resolve the toxic interaction of the Gallagher Amendment, TABOR and Amendment 23, measures that together place an undue and unsustainable tax burden on commercial property owners.

■ The board members of the Northern Colorado Economic Development Corp. and Upstate Colorado Economic Development will find valid reasons to start serious talks about merging the two entities into a single, unified regional economic development platform.

■ The nascent collaboration among the region's four main colleges and universities will take some tangible form — as it already has in an office building at Loveland's Centerra development — and lead to workforce development plans that will make Northern Colorado's population ready for a strong economic recovery.

■ Most of all, we wish for the continued strength and health of our region's business community as it moves through the challenges of the coming year and toward the better days that we are certain await.

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What the rules say

Among the new oil and gas rules are requirements for drillers to:

- Maintain a 300-foot no-drill buffer zone around streams and rivers that are used for public drinking water supplies
- Control odors and dust from drilling operations within a quarter mile of homes in Garfield, Mesa and Rio Blanco counties
- Consult with the Colorado Division of Wildlife on mitigation plans if they want to drill in designated wildlife areas
- Provide notice of drilling activities to nearby landowners and public comment periods for oil and gas development proposals
- Keep track of and disclose to state and local emergency responders any chemicals they are using in their operations

SOURCE: BUSINESS REPORT RESEARCH

"I think we could lose 40 percent of our rigs next year and that relates to jobs."

John Swartout, vice president
Colorado Oil and Gas Association

OIL, from 3A

groups to rein in the oil and gas industry, which has enjoyed record profits from a drilling boom in the state over the last five years. Annual applications for drilling permits have tripled since 2003 and were on pace to quadruple by the end of 2008.

A recent Colorado School of Mines study showed the oil and gas industry contributes an estimated $23 billion annually to the state's economy.

But industry officials warn that Colorado's new rules could make seeking a permit so onerous that oil and gas companies will look elsewhere to drill.

"Permits aren't always the best indicator in the oil industry," said Swartout, COGA's senior vice president for policy and government affairs. "I think rig count is more important, and I think we could lose 40 percent of our rigs next year and that relates to jobs."

Even before the rules were adopted, energy companies in the state were cutting operating budgets, mostly because of dropping oil and gas prices in recent months. One projection for the Piceance Basin in western Colorado called for the number of drilling rigs to drop by up to 60 percent in the first quarter of 2009.

Conservationists doubtful

The new rules will make that situation even worse, Swartout said. But Elise Jones, executive director of the Colorado Environmental Coalition, said she rejects that assertion.

"I do take issue with that sort of sky-is-falling claim," she said. "We all know that the cost of natural gas and oil is set far beyond Colorado and that's not something the rules had anything to do with. As prices change, drilling activity will be affected regardless."

Jones said environmental groups are generally pleased with the new rules. "We didn't get everything we wanted to be sure, but we thought the process was fair and the new rules are a good step forward," she said.

Compromises were made during the 18-month rulemaking process, including reducing the buffer zone around streams and rivers within five miles of an intake for a public water supply system from 500 feet to 300 feet.

The oil and gas commission also dropped a proposal that would have restricted drilling for up to 90 days in the winter to protect wildlife.

Swartout said one of the most objectionable of the new rules is one he says allows the Colorado Department of Wildlife, Colorado Department of Public Health and Environment and surface landowners the right to appeal any new drilling permit.

"Obviously, the industry should be regulated but what you need from that regulatory structure is certainty that at the end of the application process you get a permit," he said. "Now, at the end of that process, a host of parties can appeal."

Republican revamp?

Some Republican legislators have vowed to try to revamp the rules in the next session of the Legislature that convenes Jan. 5. Western Slope Sen. Josh Penry, R-Grand Junction, called the new rules "a mess" and said he would help lead a fight to change some of them.

However, given the Democratic majority in the Legislature, Swartout acknowledged it will require a bipartisan effort to get that accomplished. "In all honesty, the only way certainty can be added to these rules is to work in a bipartisan way," he said. "What the Legislature really has to decide is did this process go beyond the intent of the legislation or did it meet that intent."

Swartout said the main thing he'd like to see is the creation of an appeals process that is clearer and less burdensome to drilling applicants.

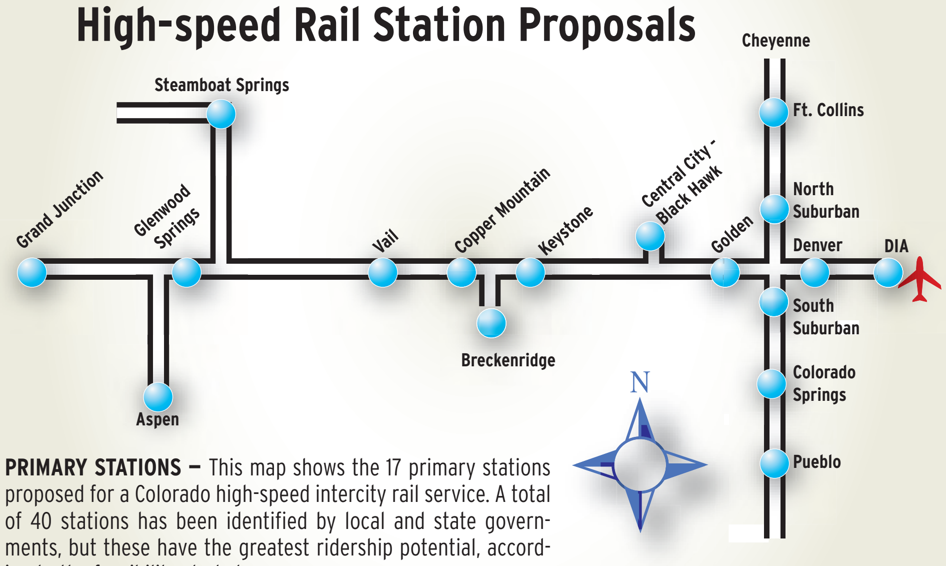
"There's a way for us all to get certainty in these rules and satisfy the governor and get the rebalancing they were looking for," he said.

Meanwhile, Jones said she rejects the notion that the new rules are a threat to Colorado's economic well-being unless they are modified in the Legislature.

"It's just not based in fact that these rules will change the cost of the production so as to lead to the collapse of the oil and gas industry – that's just ridiculous," she said.

"Most of the state's economy is based on clean air and clean water and quality of life," Jones said. "That's really the part of the economy that needs to be protected as well. So it's a balancing act."

High-speed Rail Station Proposals



PRIMARY STATIONS – This map shows the 17 primary stations proposed for a Colorado high-speed intercity rail service. A total of 40 stations has been identified by local and state governments, but these have the greatest ridership potential, according to the feasibility study team.

SOURCE: ROCKY MOUNTAIN RAIL AUTHORITY

RAIL, from 3A

with or without freight relocation — among the most likely possibilities.

Consultants have already laid out a series of possible train stations along both the I-25 and I-70 routes for passenger pick-up but none of the locations are definite at this point. "The stations we identify as a feasible mix will be the starting point of the next discussion," Mountain said.

Proposed stations along the North I-25 corridor include main stations in Fort Collins and a "North Suburban" station in the north metro Denver area. Secondary stations are proposed for Cheyenne, Loveland, Greeley, Longmont and Boulder before the train would arrive in the Denver central business district.

The I-70 route stretching from Denver to Grand Junction is focused on serving ski areas. Both routes would connect to Denver International Airport.

"What we've heard in all of our discussions is access to DIA is critical," said Harry Dale, a Clear Creek County commissioner serving as RMRA's chairman.

With a new administration taking over in Washington, D.C., with a stated goal of increasing mass transit and building infrastructure projects to put people back to work, the timing of the Colorado RMRA project may never be better.

Charles Quandel of Quandel Consultants said the cost of the project's infrastructure would be shared between the federal and local governments. "The assumption is the infrastructure is paid by federal and local funding," he said. "You can't absorb that massive infrastructure cost locally."

But operating costs will likely have to come entirely from passenger fares and local sources, Mountain noted. "The assumption is this is not a subsidized service," he said.

Still tentative

Local Northern Colorado governments have so far been reluctant to embrace the high-speed concept, with only Larimer and Weld counties and the town of Timnath signed up as members of the RMRA's 50-member coalition.

David Averill, a spokesman for the North Front Range Metropolitan Planning Organization, said the MPO is closely monitoring the high-speed rail study and generally supports projects that help facilitate transportation in the region.

"We think it's something we ought to look at," he said. "As far as whether it's feasible we won't know until the information comes in. We do have an awful big stake in it as a region."

Gary Thomas, a member of the citizen transportation boards for both Fort Collins and Loveland, said both boards supported having their respective cities join RMRA. "We recommended to both (city) councils that they join but both declined," he said.

Dale said he's not expecting all of the potentially affected communities to sign up. "It's OK if you don't join, but we would like them to participate," he said.

Thomas said he understands the reluctance on the part of some Northern Colorado governments to get involved with the high-speed rail study at the moment — especially when another I-25-related study, the North I-25 commuter rail study, is also being reviewed by Northern Colorado communities as it goes through an Environmental Impact Study.

"If the (high-speed rail) feasibility study comes back and says yes, it's feasible and here's some money to do it, then I think it would be time to become a (RMRA) member," Thomas said.

But Thomas said there's no time like the present to begin planning for a high-speed rail system between Cheyenne and Denver given population growth projections and the traffic those new residents will bring to already overloaded highways.

"I don't think it's too futuristic," he said. "If you want high-speed rail, you need to start getting the right-of-way set aside before it's all developed."

Averill agrees that, given its likely five-to-10-year time frame before any part of the system could become operational, now is the time to begin.

"It's futuristic, but we have the technology to get there," he said. "All of the trains we're looking at are currently in service somewhere."

Two rail studies on track

Another unrelated study is looking at the possibility of a commuter rail service and an additional lane on I-25 to relieve North Front Range traffic congestion. A draft North I-25 Environmental Impact Study is now being reviewed after four years of work to develop. The study area includes the north I-25 corridor from Wellington to Union Station in Denver. Colorado Department of Transportation representatives will meet with Northern Colorado governments in January to determine what transportation improvements are favored, with a final EIS for the project expected in 2009.

SOURCE: BUSINESS REPORT RESEARCH

Northern Colorado BUSINESS REPORT

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