

**PROJECT SUMMARY AND RECOMMENDATION LETTER FROM THE OFFICE
OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE (OEDIT)
BY EXECUTIVE DIRECTOR, FIONA ARNOLD, TO THE ECONOMIC DEVELOPMENT
COMMISSION (“Commission”)**

**REGIONAL TOURISM ACT (“RTA”)
November 9, 2015**

APPLICANT: City and County of Denver (“Applicant”)

PROJECT NAME: National Western Center (“NWC” or “Project”).

PROJECT DESCRIPTION: The NWC Project which includes new multipurpose facilities for the National Western Stock Show and other related events requests funding for two of eight expansion phases in North Denver (subsequent phases will be funded using mechanisms described in Item #4 below). This expansion is part of the North Denver Cornerstone Collaborative which has been dubbed the “Corridor of Opportunity.” The square footage for each build-out component to be funded by the RTA, and the Phase I and II costs, based on information submitted as part of the RTA application, are summarized in the two tables below:

Square Footage (SF) for each RTA Build-out Component:

Build-out Components	Description	Size
Livestock Center	Stadium arena (5,000 seats); livestock hall (230,000 GSF); livestock auction arena (700 seats).	376,790 SF
Equestrian Center	Events center (4,500 seats); horse barn (1,000 stalls); equestrian arena (500 seats); indoor practice arenas (2); covered outdoor exercise arenas (2); Colorado State University (“CSU”) equine sports medicine facility; outreach and clinical trials centers.	582,664 SF
Stock Yards Center	Stock yards show arena (1,000 seats); auction arena (1,000 seats).	35,100 SF
Stock Yards / Event Pavilion	Acres with 800 temp cattle pens creating flexible space and 2 Wash rack buildings.	7,680 SF
Maintenance & Ops	National Western Stock Show operations facility.	44,000 SF
DPS Site Parking Garage	Development of former Denver Public Schools bus barn site; first floor retail; temporary CSU facility (~1,000 parking spaces).	325,500 SF
Public Amenities	Equestrian center plaza, livestock center plaza, river edge park, elevated walkway and catwalk.	NA
TOTAL Square Footage		1,371,734 SF

Phase I and Phase II Costs:

Category Costs	Phase 1 - Stockyards, River & Infrastructure	Phase 2 - Livestock and Equestrian Centers	Phases 1-2 Total
Soft Costs: planning; design; legal; project administration	\$23.1 M	\$35.8 M	\$58.9 M
Hard Costs: site infrastructure & improvements; structures; public art requirements	\$310.5 M	\$319.5 M	\$630.0 M
Contingencies	\$47.4 M	\$55.6 M	\$103.0 M
Net RTA Financing Costs	\$31.0 M	\$33.5 M	\$64.5 M
Grand Total	\$412.0 M	\$444.4 M	\$856.4 M

ECONOMIC IMPACTS: The State’s Third Party Analyst (“TPA”) estimates that the Project could create 7,140 temporary construction-related jobs and 766 ongoing facilities operation jobs, divided between direct (335), indirect (275), and induced jobs (156). The TPA predicts that an adequate labor supply exists within the Denver metro area to fill the jobs created by the Project. Furthermore, the 335 direct ongoing jobs estimated to be supported by the Project are small in comparison to the total Denver and surrounding cities’ labor markets, and these direct jobs are therefore not expected to result in any significant new permanent employment migration to the area that would generate new school enrollment. Note that there are already plans to improve transportation and site access to help accommodate new visitors through the planned location of a station on RTD’s North Metro commuter rail line (the “N Line”) at the NWC (scheduled for opening in 2018) and CDOT’s \$1 billion I-70 East Project targeted for completion over the next decade.

ANALYSIS OF PROJECT VERSUS APPROVAL CRITERIA: For the reasons stated below, we believe the Project meets the statutory requirements in C.R.S. § 24-46-304(3) for RTA support. This Project is unique and extraordinary and is likely to draw net new tourism to the State of Colorado. The existing National Western Stock Show (“NWSS”) is one of Colorado’s iconic events, and it is located at a historic legacy site. The state has a strategic interest in strengthening this asset in Denver and maintaining it in Colorado for generations to come.

RATIONALE FOR APPROVAL OF THE PROJECT:

1. The Project is “of an extraordinary and unique nature and is reasonably anticipated to contribute to economic development and tourism in the state.” See C.R.S. § 24-46-304(3)(a).

- A project’s “extraordinary and unique nature” can be assessed across varying geographic scopes: global, domestic, within Colorado and even more granularly. The broader the geographic scope within which a project is unique and extraordinary, all other factors being equal, the more compelling the project is under this criteria.
- As explained by the applicant, the NWSS is known as the “Super Bowl” of stock shows and it’s the only show in the world that combines the following world class event categories: livestock show (a “triple crown” show), rodeo (a “big four” event), equestrian competitions (many breeds and disciplines) and a large western-themed consumer trade show. The show brings in hundreds of thousands of visitors from around the state, country, and globe. The NWSS is also a unique bridge between urban and rural communities, and it celebrates Colorado’s western heritage.
- However, the event is hosted in aging, obsolete facilities and at a site burdened by poor access and inadequate infrastructure. By upgrading the facilities, restructuring ownership, and bringing in new partners (specifically, the City and County of Denver, Colorado State University, History Colorado, and the Museum of Nature and Science, among others) to create the NWC, the applicant can grow existing events, host new, larger and world class competitions, promote academic research and innovation and substantially enhance tourism and economic development in Colorado.
- The Applicant projects that all components will be completed by 2022, meeting the statute’s goal of promoting anticipated economic development in the foreseeable future.
- The projected creation of more than 7,140 construction jobs and almost 776 ongoing operations jobs represents a notable economic gain.

2. **The Project will lead to a “substantial increase in out of state tourism”. See C.R.S. § 24-46-304(3)(b).**
 - Based on the work of the TPA, the Project is estimated to draw almost 265,000 net new out-of-state visitors annually into Colorado, above the existing baseline of NWSS attendance during a stabilized year. This represents a substantial and ongoing increase in out-of-state tourism. Notably the Project will also help ensure that Colorado does not lose the existing baseline of tourists who attend the NWSS today, which is a real possibility if the facilities are not upgraded.
3. **A significant portion of the sales tax generated within the zone can be attributed to non-residents of the state or residents of the state who would otherwise leave the state due to a lack of a similar facility in the state. See C.R.S. § 24-46-304(3)(c).**
 - The revamped and expanded NWC, including a new Equestrian Center with expanded capacity to host larger and higher level competitions will have a national and global appeal. The new Equestrian Center should attract net new visitors from both outside Colorado and from within the state. These net new in-state visitors would stay in-state to attend equestrian events, instead of leaving Colorado to attend events held in other parts of the United States.
 - The 452,277 net new annual visitors during a stabilized year, as validated by the third party analyst will contribute a significant portion of sales tax revenue from net-new in and out-of-state residents.
4. **Absent RTA funds the Project is not likely to be completed within the foreseeable future. See C.R.S. § 24-46-304(3)(d).**
 - The State RTA support will accelerate and improve the chances of the Project moving forward in the foreseeable future. Along with the recently voter-approved 2C ballot issue (which provides a long-term local government funding source), Colorado HB 15-1344 (titled “Concerning the Financing of State Capital Construction Projects that are Included in the National Western Center...Master Plan...”), philanthropic contributions from the non-profit NWSS, and a potential public private partnership (PPP), state RTA funding will be critical for financing the NWC.
 - This criteria was validated by the TPA, who explained that “No private developer would likely take on a project of this scale without public assistance, multiple funding sources, and public-private partnerships. We are therefore satisfied with the Applicant’s statement that RTA funds are needed for the Project to be viable.”
 - The need for state RTA funds to move the Project forward is also supported by the Denver City and County Auditor’s Office report on financial sustainability which expressed concern that “the City has not always kept pace with the aging of its capital assets or replenished them as necessary” and that compared to peer cities “Denver has a higher debt burden per resident and less capacity for additional borrowing.” This implies that, absent new revenue streams, the Applicant should be careful in issuing new debt to construct new capital assets which will require maintenance and that the Applicant might not be able to prudently finance the NWC without state assistance.
 - Because the site for the project has already been selected, substantial program and development plans have been created, and other specific funding sources have been obtained (as listed in the first bullet of this subsection above), the project has a strong likelihood of moving forward in the near term if the RTA funds are approved. This is one of OEDIT’s positive indicators for applications to meet the requirement that state funds are needed.

CONCERNS/WEAKNESSES:

1. The NWSS is an existing tourist attraction in Colorado, so the core programmatic driver of the NWC is not a new concept to Colorado. However, without new facilities, this attraction is at risk of leaving Colorado. Furthermore, there are substantial upside opportunities for improved facilities to create substantial net new tourism visitation and revenue in Colorado.
2. The NWSS, which is the anchor tenant of the NWC, has experienced financial challenges and has been subject to criticism about the need to expand the diversity of its leadership and stakeholder-advisory groups. The NWSS has expressed a desire to address these issues.

RECOMMENDATION: I recommend that the EDC approve the City and County of Denver's application for the National Western Center as a Regional Tourism Act Project subject to compliance with all requirements in C.R.S. § 24-46-301 through 310. The primary guardrails and terms and conditions, including the percent of state sales tax incremental revenue and the revenue cap, should be finalized on or about December 10, 2015 by an additional vote of the EDC. I will provide a further recommendation regarding these terms and conditions and guardrails prior to that date with an additional letter. The final resolution will require completing all detailed terms and conditions with a written board resolution in a reasonable timeframe thereafter.

DISCLOSURE FROM FIONA ARNOLD: I am co-owner of a company that owns the commercial real estate development known as Backyard on Blake in the RiNo district in Denver, Colorado located at 3040 and 3070 Blake Street and 1465 30th Street. I do not expect the NWC to have any impact on the value of the Backyard on Blake project, which is not proximate to the Brighton Boulevard area where the NWC is located. I do not believe my ownership in Backyard on Blake constitutes an actual or perceived conflict of interest relative to my responsibilities regarding the RTA program, but in an abundance of caution and in the interests of full transparency, I wanted to disclose these circumstances as part of my recommendation letter.