

**ECONOMIC DEVELOPMENT COMMISSION
MEETING SUMMARY**

March 16, 2017
9:00 a.m. – 1:00 p.m.

MEETING DATE

March 16, 2017
1625 Broadway, Suite 2700
Denver, CO 80202

MEETING PARTICIPANTS

A. Commission Members

J. J. Ament, Carrie Schiff, Jay Seaton, Chuck Murphy, Denise Brown, Millete Birhanemaskel, Benita Duran, Mashenka Lundberg, Dick Monfort and Noel Ginsburg.

B. Guests

Kristie Pollard, Paul Roethel, Jake McNair, Lynn Myers, Emilie Rusch, Emily with Project Copper, Corey, Heather Copeland, Jariah Walker, David Neville, Bob Cope, Stephanie Chichester Kurt Kaufmann, Robyn Moore, Jason Dunn, Susan Freis, Bonnie Petersen, Tiffany Phel, Ray Rears, Jim Janicek, Justin Vause, Torry Van Slyke, Jerry Pacheco, Carol Orr, Deb Hinsvark, Janell Oberlander, Michelle Balleck, Tricia Allen and Angie Bedolla.

C. Staff

Stephanie Copeland, Jeff Kraft, Michelle Hadwiger, Rebecca Gillis, Ken Jensen, Katie Woslager, Sonya Guram, Courtney Potts, Donald Zuckerman, John Reece, Eloise Hirsch, Luis Benitez, Jenifer Doane, LeeAnn Morrill, and Virginia Davis

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the February 16, 2017 meeting with a minor change.
2. The Economic Development Commission approved the following items: Project Husker; Project Copper; Project 5767; Moffat County inclusion in RJS; Greenleaf Environmental Services; Distribution of Benefits; AI/POC Colorado School of Mines; AI/POC University of Colorado Boulder; AI/POC University of Denver; AI/POC University of Northern Colorado; NW EZ Boundary Amendment; Pueblo EZ Boundary Amendment; Xfinity Latino Entertainment Series, Season 2; SSBCI Contract Extension; Colorado Springs Resolution A; and Strategic Fund Initiative Project.

A. Meeting Called to Order

Ament called the meeting to order.

MEETING SUMMARY

Seaton moved approval of the February 16, 2017 meeting summary.

M/S/P – Seaton, Murphy – Meeting summary approved as presented by staff.

**B. Job Growth Incentive Tax Credit (JGITC): Michelle Hadwiger
Project Husker**

Hadwiger presented Project Husker. Project Husker is a publicly-held company and is a major business-to-business franchisor of print and marketing communication centers. The company has over 200 centers in the U.S. including in Colorado and over 20 locations globally. Project Husker is currently headquartered in Salt Lake City, Utah. Project Husker is an international headquarters recruitment project. The company

has an optimistic growth outlook, partially due to the increasing strength of franchise businesses in the United States. This growth projection, coupled with other considerations, has encouraged leadership to consider moving and growing the HQ elsewhere.

Staff is requesting approval of a performance-based JGITC in the amount of \$1,021,169 for the creation of 55 net new full-time jobs with an average annual wage of \$64,597, 100% of the annual average wage of any county in Colorado the company decides to locate, in support of this project.

M/S/P – Murphy, Ginsburg – Project approved as presented and recommended by staff.

Project Copper

Hadwiger presented Project Copper. Project Copper is a telecommunications company offering its services to consumers and businesses. Currently, the company has over 90,000 full time employees. Project Copper is an effort to further advance and improve the company's services by consolidating Network Operations personnel spread across the country into one office. The newly-consolidated core group will be located in one of the markets being considered. Project Copper is part of a larger strategy for the entity in 2017 to ensure that field operations groups throughout the nation are focused on standardizing processes, practices, procedures, and metrics.

Staff is requesting approval of a performance-based JGITC in the amount of \$34,356,963 for the creation of 1,200 net new full-time jobs at a minimum average annual wage of \$61,412, 100% of Arapahoe county's average annual wage, in support of this project.

M/S/P – Schiff, Duran – Project approved as presented and recommended by staff.

Project 5767

Hadwiger presented Project 5767. Project 5767 is a Montreal-based biotech company that has developed a new class of patented biological accelerators for use in agriculture. Their products combine communities of beneficial microbes that work together to stimulate the seed, the plant, its root system and the soil surrounding it. The company is experiencing rapid growth and is pursuing further expansion via US operations.

Staff is requesting approval of a performance-based JGITC in the amount of \$1,322,918 for the creation of 105 net new full-time jobs at a minimum annual average wage of \$80,002, 100% of Broomfield County's average annual wage, in support of this project.

M/S/P – Birhanemaskel, Seaton – Project approved as presented and recommended by staff

Update of Previously Approved Projects

Hadwiger presented and update of previously approved projects. Project Abel, approved in October of 2016 for a JGITC in the amount of \$371,771 will remain in Colorado. The company, BSI Designs, is a leading national provider of high-quality food service equipment. Project Maurizio identified as Ball Aerospace and Technologies issued a press release in February stating an expansion will occur within the tactical solutions unit of the business. Ball was approved for a JGITC in the amount of \$5,828,732 in August of 2016.

C. Rural Jump-Start (RJS): Ken Jensen

Moffat County Application to Form a RJS Zone

Jensen presented Moffat County. Moffat County has applied to create a Rural Jump-Start zone, which includes all of the unincorporated area of Moffat County and the city of Craig. Both Moffat County and the city of Craig are exempting business personal property tax, which is required by the statute. Both Moffat

County and the city of Craig are also exempting the local property tax and sales and use tax, which is not required by the statute.

OEDIT has reviewed this application, and recommends that Moffat County be approved to form this Rural Jump-Start zone.

M/S/P – Duran, Murphy – Moffat County application approved as presented and recommended by staff.

Greenleaf Environmental Services (GES)

Jensen presented Greenleaf Environmental Services. Greenleaf Environmental Services is a waste disposal and aggregate company serving the oil & gas sector on the western slope of Colorado. Greenleaf has developed proprietary technology that creates road and building aggregate (gravel and crushed stone) from oil and gas solid waste using a process called plasma gasification.

Greenleaf is applying to the Rural Jump-Start program with a new division that sells aggregate produced from the new technology. Greenleaf's current operations are not part of this application, and Greenleaf's current disposal of liquids will not benefit from the Rural Jump-Start program. Greenleaf will separate these two business lines into separate divisions, and only the new division will be part of the Rural Jump-Start program. All revenue and costs of the two operations will be separated for tax and reporting purposes.

Staff recommends approving Greenleaf for the Rural Jump-Start program with an allocation of 35 new hires. This approval only covers that new division that is being created to sell aggregate. Given Greenleaf's legal history, OEDIT recommends that this approval be contingent on Greenleaf being compliant with all regulatory issues and not having any significant criminal issues associated with their operations. Should any issues come to light, OEDIT would recommend revocation. Furthermore, Greenleaf is responsible for separating the operations that are covered by the Rural Jump-Start program from those which are not when they file for their tax credit, or if necessary structurally separating from other operations that are not covered by the Rural Jump-Start program, pending guidance from the Department of Revenue.

The Commission directed staff to collect, review and provide more background on this project.

Project tabled.

Annual Reports and Approval of Benefits

Jensen presented the Annual Reports and Approval of Benefits. Seven companies were approved in 2016 for the Rural Jump-Start program. For this EDC meeting, OEDIT is presenting three companies and two New Hires.

OEDIT is still working with General Synfuels. Even though TSW and Qmast do not have New Hires, OEDIT recommends keeping them in the program, as they still have the potential to contribute to the economy of the Western Slope and the state of Colorado. OEDIT recommends issuing the tax credit certificates to these three companies and these two New Hires.

M/S/P – Schiff, Murphy – Issuance of tax credit certificates and new hires approved as presented and recommended by staff.

D. Advanced Industries (AI): Katie Woslager

AI Budget

Woslager presented the AI budget which shows \$5,229,775 remaining in available funds,

Proof of Concept Grants

The purpose of the Advanced Industry Proof of Concept Grant Program is used to identify and pull technologies from research institutions where they were discovered and connect them to the private sector where they can be developed into commercialize-able products.

Woslager presented four Colorado School of Mines POC grant requests in the amount of \$123,000, six University of Colorado Boulder POC grant requests in the amount of \$773,931, seven University of Colorado Denver POC grant requests in the amount of \$819,730, and one University of Northern Colorado POC grant request in the amount of \$33,667 for approval.

M/S/P – Duran, Ginsburg – POC Grant approved as presented and recommended by staff.

E. Enterprise Zone (EZ): Sonya Guram

Boundary Amendments

Guram presented the following Boundary Amendments for discussion.

Northwest EZ (NWEZ)

NWEZ requested an amendment to the NWEZ boundaries to include qualifying parts of Gilpin County, specifically the Place of Central City and Block Groups 1 and 2. Gilpin County is an area that has not previously been designated as an Enterprise Zone.

M/S/P – Murphy, Duran – Boundary Amendment approved as presented and recommended by staff.

Pueblo EZ

The Pueblo Enterprise Zone is requesting a boundary amendment to include block group #081010030042 that is adjacent to the Colorado State University-Pueblo campus and includes an approved Urban Renewal Project.

M/S/P – Ginsburg, Murphy – Boundary Amendment approved as presented and recommended by staff.

F. Colorado Office of Film, Television and Media (COFTM): Courtney Potts, Donald Zuckerman COFTM Budget

Potts presented the COFTM budget which shows an available balance of \$1,261 if the project being presented today is approved.

Xfinity Latino Weekly Entertainment Series

Potts presented the Xfinity Latino Weekly Entertainment Series project. Janicek Media aims to produce the weekly entertainment show, Xfinity Latino Weekly Entertainment Series, promoting Latino features broadcast in Spanish. Produced by Janicek Entertainment, Inc. in Denver and Miami, as well as on location, content on XLEC is refreshed every Monday and is available on multiple platforms: TV, Xfinity On Demand and on the Xfinity Stream app.

The estimated qualified local expenditures of the application would result in a rebate of \$70,000. The applicant estimates a total of \$1,036,000 in qualified local expenditures.

M/S/P – Seaton, Murphy – Project approved as presented and recommended by staff.

G. State Small Business Credit Initiative (SSBCI): John Reece

The SSBCI funding is from a federal grant to support lending to small businesses throughout the State by depositing funds with the lender as either collateral support and/or loan reserve support.

OEDIT partnered with Colorado Housing and Finance Authority (CHFA) in the development and the completion of the application for the SSBCI program. In early 2012 OEDIT contracted with CHFA for 5

years to administer the program with OEDIT having oversight as the contact with the U.S. Treasury. The contract expires on March 31, 2017. Treasury funds were received by OEDIT in 4 tranches, the first tranche of approximately \$5.7 million was received and forwarded to CHFA soon after the allocation was awarded the State. The second and third tranches of approximately \$5.7 million each were received and forwarded after CHFA had expended at least 80% of the previous tranche. The fourth tranche of \$77,948 was received and forwarded to CHFA in January of this year. CHFA was paid over the contract period \$497,870 from the Treasury funds through quarterly payments in accordance to the contract
As loans

The federal requirements on the \$17,311,437 received by the State expire March 31, 2017. OEDIT would like to amend and extend the contract with CHFA to continue the Collateral Support program. Therefore in accordance with the current contract between CEDC/OEDIT and CHFA section 5, OEDIT would request to extend the current contract up to 6 additional months to allow time to negotiate a longer term and amended contract with CHFA. OEDIT requests that the EDC approve payment for the services to be paid to CHFA which shall be the amount of the last quarterly administrative fee pro-rated if needed for the extension period not to exceed 6 months or \$36,250 every 3 months. The extension shall immediately terminate when and if a replacement contract is approved and signed by the Colorado State Controller.

M/S/P – Duran, Lundberg - Contract amendment approved as presented and recommended by staff.

H. Update of EDC Legislation: Eloise Hirsh

Hirsch provided an update of the EDC Legislation.

I. Update of State Small Business Character Loans: Jeff Kraft

Kraft provided an update of the Small Business Character Loans. With this program staff anticipate loans and grants to non-profit lenders who make small business character loans or other innovative that fill market gaps. The goal was a statewide program that focuses on rural Colorado. The RFP has been posted and will close on March 31st. Staff will convene a review committee of staff and partners from sister agencies to review the RFP and make recommendations. Staff will bring those recommendations to the EDC.

Copeland asked for official resolution on the focus of these funds from the Commission understanding that the first \$1.5M will be provided as a grant to the lenders.

M/S/P – Ginsburg, Murphy – Staff focus of the funds approved as presented and recommended by staff.

J. Regional Tourism Act (RTA): Jeff Kraft LeeAnn Morrill Colorado Springs

Walker introduced the Colorado Springs team members.

Kraft provided an overview of the documents supplied by the Colorado Springs team. Certain items submitted to the Commission by Colorado Springs must be review and approved in writing and that's what Resolution 3A does. Colorado Springs is asking for approval of 3A.

Ament said essentially 3A is a document that says these are the rules that should be followed, COS follows the rules and 3A is an acknowledgment from us to them that we agree that the rules were in deed followed.

Kraft noted the certificate signed by BJ Hybal and the architect of record stating they created a facility that includes all the required components and the certificate that shows the approximate and minimum size of different physical components meets the requirements.

Ament said this is connecting today to the Resolution and the project approval.

Kraft also noted a draft letter from the Bond Counsel saying the bonds conform to the Resolution. It doesn't get finalized until the bonds have been issued.

Kraft noted the draft letter from North Slope Capital Advisors validating the interest rate is consistent with tax free publicly traded municipal bond rate and that the cost of financing are similar to equivalent projects.

Ament clarified by saying the letter essentially says that this protects tax payers so that even though the transactions are being privately placed it is at market rate. Also, just so everyone is clear, staff at North Slope is and independent financial advisor whose fiduciary is to the Urban Renewal Authority and not to the project.

Moore said that they did lock in a 3.33 percent interest rate. The maximum amount of the bond issue is the \$39M this is great news. We are working toward getting approval from CSURA next week. We are aiming for a close date of the end of March.

M/S/P – Murphy, Ginsburg - 3A approved as presented and recommended by staff.

Pueblo

Pacheco provided a project update. At the advice of OEDIT staff we were able to solicit proposal for municipal financial advisory services. The Ehlers Company was the successful respondent. Pueblo County will be giving \$3M to pay for the HARP Riverwalk, an ineligible expense. Additionally the Pueblo County will also be supplying \$2M to assist in paying for the Sky Bridge that will connect the parking structure to the facility.

We were able to hire back our original project manager, Tony Acri. He will be on our staff and working on getting the project moving. On March 15th the Authority issued RFP for a design-build contract to get the project moving. The goal of that is to have our design-build contractor selected and have an executed contract two days before the five-year anniversary date of the project approval. We will do everything we can to break ground in September of this year.

PBR is anxious to get things going. They are trying to build a robust training program but they need the facility.

Hinsvark provided an update of the project financing plan. In Phase I we have both a senior and subordinate debt. The senior will be a negotiated bond sale with George K. Baum at a par amount of \$17,320,000 plus about \$1.7M premium. We are looking at triple B rates so we feel conservative with our numbers. Our total project construction fund, outflow from the bonds, will be about \$18.7M. We will Cash Fund a Debt Service Reserve, which is a further credit enhancement for the bond holders. We are looking at a net interest cost of 4.1% with 20 year financing. We will have surplus fund that will cover interest on our subordinate loan which is from the City. We're looking at \$12.2M from the City. That agreement is in place and we can draw it at any time. We will take about \$700,000 from the \$12.2M to initially supplement that surplus fund. We want that surplus fund to always stay at \$1M to further credit enhance this. Our scheduled sale date is April 19th and the closing date would be May 3rd.

Kraft asked if they could clarify where the \$12M subordinate financing is coming from.

Pacheco said there is a special fund where there is a half-cent sales tax fund that goes to economic development. The City amended its ordinances to allow for the loan. That fund is separate and distinct from the City's general fund. The \$12.2M is secured by a note and deed of trust of our current convention center which is owned by the Authority. We have not pledged the state sales tax increment directly to the City for this transaction. We have to pledge it to the bonds.

Kraft asked roughly, how much you anticipate the cost of building the PBR Center.

Pacheco said the PBR Center is an integrated component as part of the Convention Center so the whole Convention Center at \$23.857M. It was a conscientious strategy to purposely put a low number in. So this number does not include a contingency because we still have to negotiate the contract. Between now and when we execute the contract, there is some excitement of the City and some other stakeholders potentially partnering to add more funding and more things to the project. If this happens that would be outside money that would come into that final construction contract.

Ament asked if they have a deal with PBR to occupy the space once it's built.

Pacheco said they have the original letter of commitment. We are working with PBR on a final lease. As part of the design-built process, their team will be working with our team to finely design the space that suits their needs.

Ament asked how you feel comfortable being able to assure us that you're going to be able to deliver the project that was in the application.

Pacheco said May 16th I will have an executed lease with PBR.

Ament asked if this would be before the bonds were issued.

Hinsvark said it would be after the bond issuance.

Ament how can you commit to meeting the terms of your application if you're going to build the space before you have the lease.

Pacheco said if it's the direction of this Commission to get a lease with PBR before we issue the bonds, then we will do that. PBR is a partner in this project.

Ament asked for clarification. If the deal was you were going to build PBR University, but you're going to build it before you have the agreement from PBR to occupy it, how are we protected that somehow there may be disagreement the day after you issue the bonds and PBR says we're not going to move forward and then we're left with a Convention Center without any of the elements in the application that made it unique and extraordinary.

Pacheco said we'll get the lease. We will send the lease to the Commission before going to Market.

The Commission expressed concern saying it is a matter of good business practice to have the anchor tenant lined up in support prior to the bond going out.

Ginsburg asked if Pueblo doesn't have a lease, are they still in compliance.

Kraft said there is not a guardrail in Resolution #1 that says they have to have a lease. The broader question is if they somehow delivered a project without PBR being a part of that project then there would be a legitimate question to answer, did they bring the project that was promised in the application.

Morrill said commencement of substantial work as defined in the statute is tied to the goals specified in the application. If we use the bond financing, which qualifies as a commencement, is it towards the goals specified in the Resolution if we don't have the anchor tenant.

Ginsburg said based on what's been said, it seems to me that if the lease isn't signed, it's not only bad business practice, it would be inappropriate for us to go forward. My concern would be the bond holders wouldn't go forward either but you don't want to be in a position where PBR could renegotiate at the last minute because they know you're obligated. I don't think we should move forward unless the lease is signed, sealed and delivered without contingencies.

Kraft said Resolution #1 has fewer requirements than for example than Colorado Springs Resolution. The piece that is required in Resolution #1 explicitly is the opinion of the bond counsel to be delivered with the execution of the documents saying that the bonds are consistent with the Resolution. It sounds like to Commission is also asking for the executed lease as well.

Pacheco said if there are expectations of what the Commission wants to see in the lease, we would like to know what that is.

Ament agreed with this and directed staff to work with Pacheco to determine what needs to be in that lease to indicate that you will deliver the project outlined in the application.

Pacheco said we need that by tomorrow.

Copeland asked if Pacheco could supply the draft lease to Kraft for review.

Pacheco said we have some initial feedback and comments from PBR from PBR's Colorado management. The corporate counsel in New York is still reviewing the document. I will supply and updated conceptual lease that involves PBR local comments understanding that there are some other corporate counsel comments coming in the next week.

Copeland said because we are on a very tight schedule, let's make sure we have regular conversations between now and the April EDC meeting.

Potential Legislation

Schiff moved pursuant to Colorado Revised Statutes Section 24-6-402(3)(a)(II), I move that we go into executive session with our attorney for the purpose of receiving legal advice about RTA potential legislation. Murphy seconded the motion. Motion passed unanimously.

The Commission is now in Executive Session.

Murphy moved the Commission enter into regular session. Duran seconded the motion. Motion passed unanimously.

The Commission is now in regular session.

K. Strategic Fund Initiative (SFI): Luis Benitez

Schiff moved pursuant to Colorado Revised Statutes Section 24-6-402(3)(a)(III), I move that we go into executive session for the purpose of discussing documents that contain trade secrets and/or confidential commercial or financial information about a Strategic Fund Initiative Project, which are required to be kept confidential by Colorado Revised Statutes Section 24-72-204(3)(a)(IV). Murphy seconded the motion. Motion passed unanimously.

The Commission is now in Executive Session.

Schiff moved the Commission enter into regular session. Seaton seconded the motion. Motion passed unanimously.

The Commission is now in regular session.

Seaton moved approval of the project at the higher number discussed plus three of the earmarked funds.

M/S/P – Seaton, Schiff – Project approved as presented and recommended by staff.

L. Next Meeting

Ament said the next EDC meeting will be April 20, 2017.

With all items discussed, the meeting was adjourned.