

**ECONOMIC DEVELOPMENT COMMISSION
MEETING SUMMARY**

April 20, 2017
9:30 a.m. – 1:00 p.m.

MEETING DATE

April 20, 2017
1625 Broadway, Suite 820
Denver, CO 80202

MEETING PARTICIPANTS

A. Commission Members

J. J. Ament, Carrie Schiff, Jay Seaton, Chuck Murphy, Denise Brown, Millete Birhanemaskel, Benita Duran, Tom Clark and Noel Ginsburg.

B. Guests

Sam Baily, Krisit Pollard, Rod Slyhoff, Jerry Pacheco, Jennifer Paedon, Nicholas Ballard, Rick Reginato, Kevin Jensen, Joe Rice, Leigh Seeger, Todd, Project Magnify, Turid Nagel-Casebolt, Dick Monfort, Ron Dugan, David Harmen, Tracy Harmen, Craig Coleman, Aldo Svaldi, Sean Gleason, Frances Koncilja, Mashenka Lundberg, Steve Nawrocki, Bob Schilling, Sal Pace, Don Banner, Betty Martinez, David Abeyta, Louie Carleo, Rita Gersick, Meagan Koncilja, Ralph Williams, Jerry Pacheco, Tony Acri, Rod Slyhoff, Donielle Gonzales, Jim Munch, Lynn Clark, Jane Rawlings, Paul Benedetti, Mario Trimble, Simon Tafoya, Torry Van Slyke, Kate Sabbot, Stefanie Winezler, Edward Fuerte, Denver EZ, Terri Benson, Mesa EZ, Cathy Schulte, Weld EZ, Jeff Ollinger, Central CO EZ, Jane Rawlings, Greg Kolomitz, Jeff Ollinger, Ted Freeman, Michael Winters, Alvin Rivera and Ronn Gookin.

C. Staff

Stephanie Copeland, Jeff Kraft, Michelle Hadwiger, Rebecca Gillis, Ken Jensen, Sonya Guram, Eloise Hirsch, Laura Blomquist Liz, Cahill, Angela Mendez, Dan Lane, LeeAnn Morrill, and Virginia Davis.

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the March 16, 2017 meeting with a minor change.
2. The Economic Development Commission approved the following items: JGITC-Lockheed Martin; JGITC-Project Magnify; RJS-Adaptive Communications; SFI-Small Business Character Loan Allocations; EZ-Valley-Wide Capital Campaign; EZ-Rocky Mountain Rural Health; EZ-St. Mary's Medical Center; EZ-Mead Downtown Development District; EZ-Samaritan House Women's Shelter; EZ-Stonington Community Center; and EZ-Indoor Soccer Facility.

A. Meeting Called to Order

Ament called the meeting to order.

Ament nominated Schiff as the new Chair of the EDC. Seaton seconded the motion. Motion passed unanimously.

Schiff is now the new Chair of the EDC.

MEETING SUMMARY

Murphy moved approval of the April 20, 2017 meeting summary.

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

**B. Job Growth Incentive Tax Credit (JGITC): Michelle Hadwiger
Lockheed Martin**

Hadwiger presented the Lockheed Martin Project. Lockheed Martin Corporation is a global security and aerospace company engaged in the research, development, manufacture, integration, and sustainment of advanced technology systems, products and services. The group provides advanced technology systems for national security, civil, and commercial customers. The company is now analyzing a business case to build more efficiency into its Fleet Ballistic Missile program. Currently, the investment for the program resides in Sunnyvale, CA and is coupled with a significant investment from the company's customer, the United States Navy.

Staff is requesting approval of a performance-based JGITC in the amount of \$12,657,951 for the creation of up to 550 net new full-time jobs with an average annual wage of \$118,617, 222% of Jefferson County's annual average wage, in support of this project.

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

Project Magnify

Hadwiger presented Project Magnify. Project Magnify provides digital marketing software and solutions enabling customers to streamline and maximize their relationship marketing strategies and programs. In an effort to shift its footprint from its California location, and in order to more efficiently serve customers in different regions, the company intends to further extend the scope of its US operations and centers of excellence strategy. The company is proposing to open an office in Denver and recognizes the vibrancy of the area's information technology and software industry cluster composed of high availability of talent, and affordable costs of living and doing business.

Staff is requesting approval of a performance-based JGITC in the amount of \$20,345,697 for the creation of up to 991 net new full-time jobs at a minimum average annual wage of \$92,331, 143% of Denver County's average annual wage, in support of this project.

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

Update of Previously Approved Projects

Hadwiger presented an update of a previously approved project. AlsoEnergy (Project Snapshot) has chosen to expand in Boulder, Colorado. The EDC approved a JGITC for AlsoEnergy in the amount of \$2,745,673 for the creation of up to 115 net new full time jobs.

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

Jensen presented Adaptive Communications. Adaptive Communications is currently an operating business, providing internet access in Delta County. This Rural Jump-Start application is for a new division called Adaptive Towers, which plans to manufacture these towers in Mesa County. The principals understand that they will only receive program benefits Adaptive Towers, and that they will be required to separate the activity of the new division.

OEDIT has reviewed Adaptive Towers' application, and based on our review, OEDIT recommends approving Adaptive Towers for the Rural Jump-Start program.

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

**D. Strategic Fund Initiative (SFI): Jeff Kraft
SF Fund Balance Forecast**

Kraft presented the SF Balance Forecast which show a projected balance of \$174,000.

Grant to Small Business Non-Profit Lenders

Kraft presented the Grants to Small Business Non-Profit Lenders. At the January, 2017 EDC meeting, the EDC approved holding an RFP for providing up to \$3.5 million in loans and grants to small business non-profit lenders.

Based on RFP results and panel recommendations, OEDIT is requesting \$2.6 million in grant funding for three lenders, Colorado Lending Source, First Southwest Community Fund, Rural Business Loan Fund Collaboration, contingent on receiving at least \$3 million in the fiscal year 17-18 budget. If less \$3 million is received, OEDIT would come back to the EDC to discuss the grant reverting to \$1.6 million before finalizing an amount.

M/S/P – Brown, Ginsburg – Grant approved as presented and recommended by staff with modification from Brown that EDC vote at the July meeting to confirm the additional \$1M in funding since it’s based on 2017/18 budget.

**E. Enterprise Zone (EZ): Sonya Guram
Contribution Projects**

Guram presented the following EZ Contribution Projects.

EZ – Project Name	Project Type	Completion Date	1 yr. Projected Credits
Central CO - Valley-Wide Capital Campaign Canon City	Capital - Community Facility	2022	\$51,875
Central CO - Rocky Mountain Rural Health	Operations - Healthcare	2022	\$7,248
Mesa - St. Mary's Medical Center	Operations - Healthcare	2022	\$398,750
Weld - Mead Downtown Development District (MD3)	Operations - Economic Development Org	2022	\$11,250
Denver - Samaritan House Women's Shelter	Operations - Homeless Support	2022	\$137,500
Southeast - Stonington Community Center	Capital - Community Facility	2018	\$13,125
Mesa - Indoor Soccer Facility	Capital - Tourist Attraction	2022	\$112,500

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

**F. Regional Tourism Act (RTA): Jeff Kraft LeeAnn Morrill
Pueblo**

Kraft welcomed the Pueblo Contingent and walked through the timeline of events since the last EDC meeting on March 16, 2016. After this meeting, there was agreement to have detailed, follow-up conversations and put in place weekly calls with Pacheco and Nawroki. The timeline of events so far has been as follows, on April 6th we received a draft of the lease from Don Banner. We started working on it to give feedback in a timely manner. On April 6th Kraft talked with Pacheco who said their timeline was moving rapidly and are looking to potentially execute the lease around April 17th, do the bonding as early as April 19th, and that they were also evaluating RFP responses from contractors who would potentially build the facility. Right before we had our April 13th weekly check in meeting we did get a copy of the executed lease between Pueblo and PBR. Stephanie followed up with a letter to PBR. Both the letter and the lease have been provided to the Commission. The letter addresses the lease and some concerns that we have about the lease and some overall context.

Copeland said we were trying to provide feedback on the lease before it was executed. OEDIT has concerns with the lease in its present form as it does not bind PBR to operate PBR University at the facility. We want to do everything we can to tighten up the performance measures so that these concerns become a moot point.

Morrill said the primary concern here is that the statute ties the commencement of substantial work requirement directly back to what was applied for in Pueblo's original application. In this case that is not only the building of a facility capable of hosting PBR University but actually hosting PBR University.

Slyhoff introduced the Pueblo contingent.

Gleason provided a presentation and gave a history of PBR University. Our position on the Academy has not changed. As we have become more involved with WME/IMG business and my position has allowed me to pull in IMG Academy. The Academy is the world's foremost authority on training and programs and they will be a part of our process in Pueblo. That has changed the scope for the better. You need to understand we are going to offer the PBR Performance Center. It is going to be the primary world-wide headquarters for bull riding training but I want to expand that footprint to include more amateur sports. The risk in bull riding is why the lease is what it is today. We don't know if we'll be around in ten years or if bull riding will continue to grow as a sport. So I don't the city of Pueblo and the State of Colorado want to be bound to a lease with a bad operator with an idea that may or may not succeed. You need to understand, from a legal perspective, you are giving me a box and square footage on a lease, which in fact is limited in terms of what we are willing to commit to, and the opportunity for me to go spend a lot of money in building curriculum, developing programs, bringing in personnel and operating a business, and it is not the same incentive that got me to go to Pueblo because you own the facility, equipment and infrastructure. And, if we're a bad operator, I don't think you want to be bound to us for thirty years. Bringing IMG Academy into this is going to give us the flexibility to attract some other sports properties and become a training center feeder system that works in tandem Bradenton Florida with the largest and most advanced training systems in the world. We are starting to build the curriculum for the bull riding training. The Academy people have been to Pueblo several times. We've hired consultants to build out the conceptual business plan for expanding the footprint to include some other amateur sports. We are committed to the project but you have to understand, this is not a grant to the PBR. This is an incentive that is luring me start what is hopefully a lucrative business in Colorado. And if that gets too burdensome, then I'm not interested. We have a significant opportunity to bring a business to Pueblo that does not exist. We have the opportunity to tap into the world's foremost academy and that is the benefit I can bring to the table and I'll do it under the terms we've already signed in the lease.

Copeland said thank you for being here. I hope that presentation was educational for our audience. I know IMG and WME well. The issue that we have has zero to do with the perception of intention or potential. It has to do with the money that was awarded was reliant upon a specific activity.

Ament addressed Slyhoff and said the original application contemplated construction on the PBR Center in August of 2014 with a completion of August 2016. Now it sounds like PBR is a few years away still from needing the facility. It's been five years. This was supposed to be done last summer. How do we tell tax payers that we are going to keep sending money down there? This sounded great fifteen months ago and five years ago and six years ago when you actually submitted the application and the tax payers have been putting in their money. When are they going to see the project actually completed?

Slyhoff said initially the PBR training facility was our unique piece that the legislation required. But there are other components of our application that are just as important to the citizens of Colorado and to Pueblo in the expansion of our convention facility that allows us to go into amateur athletic events. There is no doubt that we have had issues in Pueblo and in talking with other communities that have RTAs we have all

experienced issues with bonding and the fact that its coming from a sales tax TIF and I think that's where I think most of our delays have come from. We are at the point where the taxpayers will start to see the benefit of this project. We are headed in the right direction to substantial work and we're ready to start moving dirt.

Ament said we all want this project to succeed. If everyone remembers correctly, the Commission voted to approve this over the recommendation not to approve it that was given at the time. So we are invested in this with you. The reason the PBR moved forward is because it was the unique and extraordinary and there were other applications that contemplated sports centers and youth facilities and all those things you have mentioned but none of those would have raised to the level of unique and extraordinary. So the reason PBR had to move forward in your application is because it was the lynchpin, the foundation on which the rest of the development was supposed to occur.

Slyhoff said if this board allows us to move forward and issue the bonds, the PBR facility will be under construction and start to come out of the ground by 2017. It's a fourteen month projected build out. They will be up and running by 2019.

Copeland said if this works, it is going to be great for the state. It's not a matter of how great the project is. I think what you're doing in Pueblo is great. What we're talking about today isn't that. The state committed taxpayer funds based on the reliance of a certain application and we have to make sure that application is performing as it was awarded. Would PBR provide more assurances of performance clause in the contract that would provide contractual commitments around the performance that was in the application in order to bind us together in the way the state approved the money to be used for.

Gleason said we are making significant commitments. We also believe strongly that it is going to work as a bull riding training facility but I've been clear that it will be a build over time. As a business owner you are asking me to bind myself to a project for thirty years that make it difficult without a lot of incentive on the other side.

Ginsburg asked if PBR has been able to put a number around the actual dollar investment both in terms of the curriculum that you're making now what will be spent leading up to the point of taking occupancy.

Gleason said the budget for the equipment is a \$1M. The budget for the curriculum and staffing I haven't figured that out yet. In the beginning the curriculum and staffing will be flown in from IMG on an as needed basis for bull riding camps. Year one will not be 365 days of bull rider training.

Clark said we are dealing with an incentive that is vulnerable to legislative action if it does not deliver on what was proposed. If bull riding goes away and I would guess the training center is not going to stay if it does, who pays for that?

Morrill said the taxpayers end up paying for it. If Pueblo is allowed to commence substantial work before May 18, 2017 then they will lock in the award and the Commission no longer has the authority under the statute to revoke or modify the award. So the state will have funded, through tax payer dollars, the expansion of an existing convention center, Aquatic Park and various other facilities but not the unique and extraordinary PBR University.

Seaton said the potential failure of bull riding as an industry or a sport is something that should have been thought about five years ago, not now.

Copeland asked Gleason if there is any openness to creating a performance clause that would show some risk and commitment in the contract so that we match that with the taxpayer risk of the incremental funding.

Schiff asked Gleason if he was contemplating that Pueblo would be the only place you will be training bull riders.

Gleason said it would be the center of the universe for it. I don't want to commit that we won't have a camp in Texas or a weekend event in Oklahoma. As the sport and the demand grows there might be business opportunities to use those things to drive camp attendance and the world headquarters.

Schiff asked from a commitment perspective would you commit any resources you need to commit to developing the PBR University to Pueblo as opposed to anywhere else.

Gleason said he is not going to do anything that is competitive to the PBR Performance Center. That is going to be the center of the universe for revenue, for economics, for exposure for bull riding training. What I can tell you is that, like in the academy business, there are camp opportunities that turn in to feeders to their marketing initiative. We're not building an Academy. This is a camp related initiative. My goal is to fill it up 365 days a year as soon as possible.

Ginsburg asked understanding your global footprint, is it possible within the lease agreement to have a commitment saying as long as you're in PBR, that your entity or its subsidiaries will always be here. That you will maintain and retain this facility?

Gleason said he would have to look at something like that. He is not capable of negotiating to terms right now.

Ament said we are negotiating with the wrong person. PBR didn't make the application, Pueblo did.

Gleason said that's why I find it a little funny that I'm the one here making guarantee's.

Ament said he's looking at the applicant, which is Pueblo, and saying look at all the questions we've had around this.

Slyhoff said when we did the application, we had to come up with the RTA feeder areas. Where the tax was going to be collected was paid by Pueblo citizens, a portion of the state sales tax where that was going to be collected and we would get a percentage of that back to use. We viewed it as somebody in Meeker is not paying their state sales tax and their dollars are flowing to Pueblo to build a PBR center. It's people in Pueblo paying their state sales tax. The way it was computed was in error. We weren't looking at people in Denver funding the PBR facility and our expansion. It's Pueblo people paying their state sales tax.

Ament said "but for" the RTA that state sales tax collected in Pueblo by Pueblo citizens could very well be spent in any other county in the state.

Kraft said it's important to point out that it is net new revenue to the state that would not have occurred without the project. It really isn't revenue that Pueblo tax payers would normally pay to the state. It's the new revenue that's drawn in mostly from out of state visitor's backfilling this revenue stream.

Slyhoff said but they are doing it in Pueblo over our base year of 2011.

Ament said if it wasn't for the RTA that money would have never been collected because the project would have never been built and it would have flown into the DOR and into the general fund of the state and it would have been spent anywhere.

Copeland said the concern is contractually committing to the intent.

Gleason I understand we need to look at it from a legal perspective and if it is language consistent with our business intent than I will absolutely look at that quickly.

Slyhoff asked if this is our one barrier.

Schiff said we will need an opportunity to consult with legal counsel in executive session.

Public Comment

Freeman said the terms and conditions of the lease with PBR is not a fair agreement. It was not negotiated it was dictated. It doesn't make sense to adopt or approve this without major modifications.

Schiff thanked Freeman for his comments.

Ament 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 Pueblo RTA Project. 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.

G. Budget: (Jeff Kraft)

Kraft presented the budget which currently shows a sub-balance of \$10,831,729.

H. Next Meeting

Schiff said the next EDC meeting will be May 18, 2017.

Ament resigned his appointment to the EDC.

With all items discussed, the meeting was adjourned.