

ECONOMIC DEVELOPMENT COMMISSION
MEETING SUMMARY
December 21, 2017
9:00 a.m. – 12:00 p.m.

MEETING DATE

December 21, 2017
1625 Broadway, Suite 2700
Denver, CO 80202

MEETING PARTICIPANTS

A. Commission Members

Carrie Schiff, Rob Brown, Benita Duran, Denise Brown, Tara Marshall, Lisa Reeves, Jay Seaton, and Chris Franz.

B. Guests

Ed Sealover, Aldo Svaldi, Jim with Project Morrison, Lloyd with Project Morrison, Annie with Project 5846, Seth with Project 5846, Sam Bailey, Cayti Stein, Turid Nagel-Caseboldt, Steve Jozefczyk, Robin Brown, Doug Adams, Chris McAnany, Omar Pierce, Bill McDonald, Mark Lewis, Terry Benson, Jeff Ollinger, DeAnne McCann, Joanne Greek, Michelle Haynes, Jim Janicek, Laura Lewis-Marchino, Mike O'Donnell, Roxanne DeMarco, Bill McDonald, and Sherry Waner.

C. Staff

Stephanie Copeland, Jeff Kraft, Ken Jensen, Sonya Guram, Rebecca Gillis, Michelle Hadwiger, Anna Ewing, Emily Williams, Katie Woslager, Donald Zuckerman, Taylor Tschida, Mariel Rodriguez-McGill, Luis Benitez, Pam Moore, and Virginia Davis.

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the November 16, 2017 meeting.
2. The Economic Development Commission approved the following items: Project Morrison; Project 5846; Project 5829; Pierce Corporation; Phoenix Haus; Rocky Mountain Manufacturing; Project 5000 Amended Motion Transferrable Tax Credit; San Luis Valley EZ Contribution Project Administrative Fee; Lone Cone Library; Laradon Capital Campaign; Hotel St. Cloud; Western Colorado Conservation Corp.; Salvation Army Family and Senior Homeless; Strive Relocation Capital Campaign; EZ Administration Request; Project Crocodile; and Xfinity Latino Season Three.

A. Meeting Called to Order

Schiff called the meeting to order.

Meeting Minutes

Duran moved approval of the meeting minutes from the November 16, 2017. D. Brown seconded the motion. Motion passed unanimously.

M/S/P – Duran, D. Brown – Meeting Minutes approved as presented by staff.

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

Hadwiger presented Project Morrison. Project Morrison is an infrastructure engineering firm with deep experience in construction and geohazard mitigation. The company is currently headquartered in Grand Junction, Colorado. The company is considering relocating its headquarters from Grand Junction to Denver,

or to Williamstown, Kentucky. The relocation will be accompanied by a significant expansion in staff due to an increase in customer demand over the past several years. The location chosen for the headquarters relocation and expansion must accommodate a growth in both warehouse space and office space.

Staff is requesting \$511,976 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 38 net new full-time jobs at a minimum average annual wage of \$66,430, 100% of Denver County's average annual wage in support of this project.

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

Project 5846

Hadwiger presented Project 5846. Project 5846 is a privately-held, equity-backed company headquartered in San Francisco, California. Project 5846 operates in the global sports and fitness sector, more specifically as a digital fitness firm. Due to industry and consumer trends driving increased proliferation of mobile devices and sensors, and an uptick in potential enterprise customers and business partnerships, the company is experiencing increasing success.

These successes have encouraged company leadership at Project 5846 to execute an expansion in the near future. This particular phase of expansion will facilitate increased concentration on two critical strategic initiatives. The first is the development of a team to focus on improving core customer experience. The second will be a buildout of a team focused on growing the company's partner relationships and offerings.

Staff is requesting \$2,291,102 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 89 net new full-time jobs at a minimum average annual wage of \$66,430, 100% of the targeted county's or 100% of the AAW of any county in Colorado the company decides to locate in support of this project.

M/S/P – Duran, Marshall – Project 5486 was approved as presented and recommended by staff.

Project 5829

Hadwiger presented Project 5829. Project 5829 is a publicly traded American company that designs, manufactures, sells, and supports power conversion and control products that transform power into various usable forms. The company is in the process of evaluating options to modernize and improve the operational function of its world headquarters facility. This includes offices as well as critical R&D, testing, and maintenance laboratories. The company is evaluating the cities of Loveland and Ft. Collins, both located in Larimer County.

Staff is requesting \$2,287,294 in performance-based Job Growth Incentive Tax Credit over an 8-year period. This incentive is contingent upon the creation of up to 111 net new full-time jobs at a minimum average annual wage of \$49,088 100% of the Larimer County's AAW in support of this project.

M/S/P – D. Brown, Franz – Project 5829 approved as presented and recommended by staff.

C. Rural Jump-Start: Ken Jensen

Jensen presented the following companies for the RJS program.

Pierce Corporation

Pierce Corporation designs, assembles, and distributes agricultural irrigation equipment (manufacturing is done overseas). Pierce Corporation is a new division of an existing business. The new division is not currently operating in Colorado.

Staff did not identify any businesses in Colorado that would compete with Pierce Corporation. Pierce Corporation passes all of OEDIT's review metrics.

Staff recommends approving Pierce Corporation for the Rural Jump-Start program with an allocation of 25 new hires. This approval only covers that new division that is being created to manufacture agricultural irrigation equipment. Pierce Corporation 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.

Marshall moved approval of of the Pierce Corporation contingent upon staff de-listing REBCO and formally removing them from the program as they have ceased operations in Colorado. Duran seconded the motion.

M/S/P – Marshall, Duran – Pierce Corporation approved as presented and recommended by staff.

Phoenix Haus

Phoenix Haus designs and manufactures pre-fabricated ultra-energy efficient homes. Phoenix Haus is applying here as a new division of an existing business. The new division is not currently operating in Colorado.

Staff did not identify any businesses in Colorado that would directly compete with Phoenix Haus. Phoenix Haus passes all of OEDIT's review metrics, and OEDIT recommends that Phoenix Haus be approved for the Rural Jump-Start program with an allocation of 30 new hires. This approval only covers that new division that operates in Mesa County, Colorado. Phoenix Haus 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.

Kraft said they do some limited installation of the homes and their general market is actually selling the pre-fabricated homes. We are comfortable with them doing installation for the purposes of training if they do not have installers but in general, if they somehow became a builder, that would change their business model and they would drop out of the program.

Duran moved approval of Phoenix Haus contingent on the company's business model remaining the same, selling the pre-fabricated homes and only doing limited installation for training purposes. D. Brown seconded the motion.

M/S/P – Duran, D. Brown – Phoenix Haus approved as presented and recommended by staff.

Rocky Mountain Manufacturing

Rocky Mountain Manufacturing has designed and patented a custom component for a prosthetic foot called the Quickfoot which is a quick release ankle joint. The Quickfoot has two advantages over existing prosthetics: it can be attached and removed more quickly and without tools, and it is customizable at a lower price. The Quickfoot is not a prosthetic, it is a component that will be sold to prosthetic suppliers.

Staff did not identify any businesses in Colorado that would compete with Rocky Mountain Manufacturing. Rocky Mountain Manufacturing passes all of OEDIT's review metrics.

Staff recommends approving Rocky Mountain Manufacturing for the Rural Jump-Start program with an allocation of 20 new hires. Rocky Mountain Manufacturing 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.

M/S/P – Duran, Marshall – Rocky Mountain Manufacturing approved as presented and recommended by staff.

D. Transferrable Tax Credit (TCC): Jeff Kraft

Draft Program Guidelines

Kraft presented the Draft Transferrable Tax Credit Program Guidelines.

Schiff asked staff to tighten-up the reporting requirement language.

Kraft said he would work on refining the language and will have that at the next meeting.

Staff is requesting approval of the Transferrable Tax Credit Program Guidelines contingent upon refining some of the language around reporting requirements.

M/S/P – D. Brown, Duran – Transferrable Tax Credit Program Guidelines approved contingent upon refinement of some of the language around reporting requirements.

R. Brown suggested that vehicles certified DOT 1-3 be excluded from counting as capital investments but that higher certifications (4+) be given consideration.

Marshall said as we get into implementation of any program that we have oversight of, there is often times where we identify issues. The Guidelines should be fluid and organic as we move through the process.

Kraft concurred and said we will learn through the process and we would not be doing the programs justice if we did not make improvements and clarifications as we move forward.

Transferrable Tax Credit Update

Kraft said staff will be providing a regular update on the TTC program moving forward. Project 5000 was approved by the EDC in November of 2017. Staff is working with Project 5000 about addressing key issues to make sure Colorado is competitive. Some of them do not have direct ties to what the EDC approves and does but Copeland has been convening them for regular deep conversations. We're seeing some good movement and positive direction based on some of those conversations.

No other companies have applied yet for this program. We may have a few more companies applying in a few months.

Franz asked how companies would know about the program,

Kraft said the program is on our website so it is publicly available and our Global Business Development team uses this program as a tool in site selection for companies. It's also been in the press.

Project 5000

Kraft said the Attorney General reviewed our motion and draft pre-certification for Project 5000 and advised that we should confirm what the minimum investment required is to receive transferable tax credits for this project. Her concern was that as written it could be implied to be \$460,000,000. The minimum required by the statute is \$100,000,000.

Staff is recommending the EDC formally move to amend its approval from last month's meeting for Project 5000 to add a requirement to the pre-certification approval that in order to make the tax credits transferable that the business must make a minimum required strategic capital investment of at least \$300,000,000 per the statute and the EDC's program guidelines. Once the client makes a final location decision and refines its construction and investment plans, the EDC could, at its discretion, reassess this minimum required investment amount if so requested by the client and based on information provided by the client as long as the original purpose and scope of the project is maintained.

M/S/P – Duran, Marshall – Project 5000 amended motion approved as presented and recommended by staff.

E. Regional Tourism Act (RTA): Jeff Kraft

Kraft presented the RTA Audit Response Plan saying that we have until June to respond and implement our action. The plan will cover establishing what monitoring activities will include, establishing what actions OEDIT staff should take when RTA project information is not submitted or is incomplete or when staff of Commission members identify delays or other problems with projects through monitoring efforts, and establish how OEDIT should document monitoring activities. All of these will be recorded in an RTA Monitoring Guidelines, Processes, Procedures and Controls document.

Schiff asked that staff also provide a document that ties out what we committed to do under the audit to what we are actually doing so that we can easily check items off ensuring that the guidelines are responsive.

Kraft agreed and said we will continue to move forward with this plan and will keep the Commission updated.

**F. Enterprise Zone (EZ): Sonya Guram
San Luis Valley Administration Request**

Guarm presented the San Luis Valley Administration request. The statute allows the Zone Administrators to charge a fee for processing contributions. That fee gets charged to the project. The donor still realizes the full contribution for the credit that they earn. The San Luis Valley EZ Administration has not charged a fee to date. They are now asking to charge one and half percent on their donation which is within the range of fees charged by EZs.

Staff is asking for approval of this request in support of the San Luis Valley EZ Administration.

Marshall asked why they had not charged an Administrative fee before.

Guram said it had been the position of the Zone Administrator that they really wanted to support these projects as much as they could and not charge a fee. They have had a change in Zone Administration there and I think under the new Administration they are realizing they can use these funds to help support their work. If approved, these would be effective beginning January 1, 2018.

D. Brown moved approval of the San Luis Valley fee for Enterprise Zone Contribution Projects at 1.5% and not to exceed \$2,000 per project, per year. Franz seconded the motion.

M/S/P – D. Brown, Franz – San Luis Valley Administration fee request approved as presented and recommended by staff.

Contribution Project Proposals

Guram presented the following Contribution Projects Proposals.

EZ – Project Name	Project Type	Completion Date	1 yr. Projected Credits
Region 10 - Lone Cone Library New Construction	Capital - Community Facility	2020	\$75,000
Denver - Laradon Capital Campaign	Capital - Community Facility	2022	\$137,500
Mesa - Strive Relocation Capital Campaign	Capital - Community Facility	2019	\$525,000
Central Colorado - Hotel St. Cloud Restoration	Capital - Tourist Attraction	2022	\$26,250
Mesa - Western Colorado Conservation Corp	Operations - Job Training	2022	\$13,125
Denver - Salvation Army Family and Senior Homeless Initiative and Call Center	Operations: Homeless Support	2022	\$23,000

M/S/P – Marshall, Duran – Contribution Project Proposals approved as presented and recommended by staff. R. Brown recused himself from the vote for Hotel St. Cloud Restoration.

D. Brown said the Commission appreciates the Zone Administrators performing the peer review process. This was extra duties that they have taken on. It’s not comfortable reviewing a colleague’s project and being

rigorous and critical but it looks like this process is really working and everyone is coming to the table in good faith to get the good projects through.

Strategic Fund Balance Forecast

Jensen presented the Strategic Fund Balance Forecast which shows a projected balance of \$86,958.

EZ Administrative Cost Requests

There are 16 State Enterprise Zones and 19 local Enterprise Zone (EZ) Administrators that are formally associated with regional economic development organizations, counties, and cities around the state. These local economic development professionals utilize the EZ program to promote economic development in areas that are economically distressed.

Staff is requesting \$366,500 of Strategic Funds for Enterprise Zone administration for calendar year 2018. This amount is consistent with funds granted by the EDC for both 2017 and 2016, and in-line with the EDC's granting of funds for local EZ administration. The \$366,500 will provide grants for local zone administration and funds to cover travel and costs associated with meetings and trainings for local zone administrators organized by OEDIT. In 2017 we allocated \$358,500 for administrative grants and \$8,000 for meeting and travel costs.

M/S/P – Duran, Marshall – EZ Administration request approved as presented and recommended by staff.

G. Office of Film, Television and Media (OFTM): Mariel Rodriguez-McGill, Donald Zuckerman Project Updates

Project Pigskin which was approved back in August of 2017, has been greenlit by Facebook. They will start production in January.

Top Chef, which was incentivized this past fiscal year, has premiered. The show is on Bravo and airs on Thursday nights. The first two episodes have already aired and it's really showing Colorado in a great light.

OFTM Budget

Rodriguez-McGill presented the OFTM Budget which shows \$18,594.84 in unobligated funds.

Project Crocodile

Rodriguez-McGill presented Project Crocodile. After the success of "SEARious Meats," Plebian Pictures, LLC continued their momentum with Scripps Network and have pitched a new pilot concept. The backbone of each episode will be two large events where would-be competitors go head-to-head to see who can best draw a crowd. The episode will be shot over two days with a third day of preparation. Plebian Pictures, LLC currently plans to film in Denver and Breckenridge.

The project was ordered by Scripps Networks Interactive (SNI), which will distribute the program nationally on Food Network's linear cable channel. Ideally, the pilot will lead to greenlighting a full series order that will then air alongside the pilot on Food Network.

The estimated qualified local expenditures of the application would result in a rebate of \$40,375. Per the applicant's estimations, the Office of Film, Television & Media is anticipating a total of \$201,876 in qualified local expenditures and with the multiplier effect, economic impact could reach up to \$343,189.

Staff is recommending approval of this project.

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

Xfinity Latino

Rodriguez-McGill presented the Xfinity Latino. Xfinity Latino (XLEC) is a weekly entertainment series designed for Spanish and Bi-Lingual families combining programming, culture, technology and service tips in a dynamic and entertaining way. In early 2017, the show launched additional original content with segments such as 'Para la Familia,' 'Cine en Casa,' and 'En la Cancha', highlighting family movie and sports insights. XLEC is co-anchored by Veronica Allis and Tommy Florez alongside a team of internationally renowned, award-winning correspondents including Veronica Rasquin, Francisco Cáceres, and Carlos Rausseo. The third season of XLEC brings a unique growth opportunity, because the program will serve as Xfinity's Spanish-speaking promotional ambassador for the 2018 World Cup in Russia, featuring broadcasts from NBC/Universal and Telemundo networks.

The estimated qualified local expenditures of the application would result in a rebate of \$250,000. Per the applicant's estimations, the Office of Film, Television & Media is anticipating a total of \$1,328,538.00 in qualified local expenditures and with the multiplier effect, the economic impact could reach up to \$2,258,514.

Staff is recommending approval of this project.

M/S/P – Duran, Marshall – Xfinity Latino approved as presented and recommended by staff.

H. Strategic Fund Initiative (SFI): Jeff Kraft

Jensen gave an update of the Colorado Microloan Program. In January of 2017 the EDC approve this initiative which was for \$2.6M to be disbursed to the various lenders, chosen through an RFP process, participating in the program. The grant would be paid out in two installments to each of the recipients. The second disbursement would occur once 80% of the first round is committed within two years of the contract award date. If the lender is not ready for the second round of disbursements within two years, the fund may be re-allocated or unencumbered.

The three lenders participating in this program are, Colorado Lending Source, First Southwest Bank, and Region 9. The total number of loans made to-date is 17, with a total dollar amount of \$1,083,169.

Colorado Lending Source

Mike O'Donnell provided an update of their progress. As of October 14, 2017, Colorado Lending Source has approved seven unique projects under the Colorado Microloan Program and had funded four of these projects, with the funding of a fifth project already scheduled for later in the month of October.

As of 10/14/2017, Colorado Lending Source had disbursed \$183,275 (and committed \$233,275) of the \$394,000 advanced under the Economic Development Commission Grant Budget. \$6,000 has been set aside for potential loan loss reserve funds.

The balance of interest paid ($70\% \times \$694.15 = \485.90) has been transferred to the loan loss reserve fund, which stood at \$6,485.90 as at 10/14/2017. No funds have been earmarked for program operation or administration as of 10/14/2017.

Region 9 Economic Development District of SW Colorado for 13 Rural Regions

Laura Lewis-Marchino provided an update of their progress. Total Number of loans: From the start of the grant period through December 13, 2017, 10 loans were made in 7 different rural regions and 8 counties totaling \$225,538.46 this quarter and \$353,413.92 total. In the last quarter from Oct. 1st through mid-December, 7 loans to date were closed.

Several loans leveraged additional funds that totaled \$258,500. Balance of Grant funds available: Of the initial \$800,000 granted, there is \$446,586.08 remaining as of Dec. 13, 2017. We understand that 80% (\$640,000) of this amount needs to be used before requesting year 2 funds. In the most recent quarter, 4 of

the rural regions in which the loans occurred billed \$2,769.23 as a one-time admin fee as agreed to provide support for their staff costs. The Administrative total for the 2nd quarter to-date is \$11,076.

Before the end of the year, we expect to close another 3 loans totaling \$150K.

First Southwest Community Fund

Sherry Waner provided an update of their progress. We are looking to deploy our funds in a different way than the other lenders of this program. We are seeking opportunities for businesses where we might have an opportunity for additional capital going forward because they are either in a start-up or a proof-of-concept stage, venture capital opportunities as well as lines of credit. We are also trying to align our efforts with other organizations. In most cases we're either doing companion loans with a Regional BLF or with our Bank. We currently have two loans that are closed with seven others that we are working on.

LINKED

Pam Moore provided an update on the LINKED Program. In August of 2017 the EDC approved the Pilot LINKED program which is a mechanism to connect undergraduate students with businesses in their community to work on projects. A few key differences in this program to other programs that are currently operating is that it's project based versus time based, it's year-round, it's a single entry point into the university system across the state with a broader set of degree programs than businesses currently tap into today. We are also including a consulting resource with the student teams to provide support for not only the students but to reduce the burden on businesses that they often take on when they engage with student populations. The program is open to anyone but we are focused on recruiting in the Liberal Arts and Social Science degree programs to get more connectivity between that talent pool and the businesses in Colorado.

Our desired outcome of the Pilot program is to prove businesses find value in something like this and that over time they would pay for this mechanism.

Since August, we have sourced 8 projects to work on the Pilot from all across the state. We are currently recruiting students for 4 of these projects. We've received 24 applications. Fifty percent of those applications were from Liberal Arts and Social Science programs. The next highest sector was from the Engineering sector and the lowest was from Business Students.

We have formed the Advisory Committee for this program and the first meeting was on December 6 2017.

Moore also provided the Organizational Program Inventory that was requested. We will continue to do more research and leverage any tools currently out there versus building our own tech platform.

Moore provided a budget update which shows a current remaining balance of \$51,935.

I. Budget Update: Jeff Kraft, Katie Woslager

Kraft provided an update of the budget which currently shows a balance of \$2,563,958 available for future projects.

AI Budget

Woslager provided an update of the budget which currently shows remaining available funds of \$8,824,035.

J. Next Meeting

The next meeting will be on December 21, 2017.

With all items discussed, the meeting was adjourned.