

**ECONOMIC DEVELOPMENT COMMISSION
MEETING SUMMARY**

February 15, 2018
9:00 a.m. – 12:00 p.m.

MEETING DATE

February 15, 2018
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 Tom Clark.

B. Guests

Aaron DeJong, Ted with Project Destiny, Laura Brandt, Chelsea McClean, Sam Bailey, Roger with Project Peach, Camille with Project Peach, Adriaan with Project Peach, Lynn Myers, Neil Marciniak, Ken with Project 5760, Kate with Project 5760, Scott with Project 5760, Ed Sealover, Aldo Svaldi, Corey Jones, Patrick Hackett, Adam Lancaster, John Bristol, Mathew Mendisco, Cari Hermancinski, Janell Oberlander, and Bonnie Petersen.

C. Staff

Stephanie Copeland, Jeff Kraft, LeeAnn Morrill, Sean Gould, Ken Jensen, Rebecca Gillis, Dan Lane, Emily Williams, Donald Zuckerman, Taylor Tschida, Mariel Rodriguez-McGill, Michelle Hadwiger and Virginia Davis.

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the January 18, 2018 meeting.
2. The Economic Development Commission approved the following items: Project Destiny; Project Peach; Project 5760; Routt County/Town of Hayden; and Project Delta.

A. Meeting Called to Order

D. Brown called the meeting to order.

Meeting Minutes

Duran moved approval of the meeting minutes from the January 18, 2018. Marshall seconded the motion. Motion passed unanimously.

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

B. Job Growth Incentive Tax Credit (JGITC): Jeff Kraft

Policy Discussion

Marshall said, 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 the JGITC Policy. Clark seconded the motion. Motion passed unanimously.

The Commission is now in Executive Session to discuss JGITC Policy with legal counsel.

Marshall moved the Commission exit Executive Session. Clark seconded the motion. Motion passed unanimously.

The Commission is now in Open Session.

C. Strategic Fund (SF): Tara Marshall

Kraft said that Marshall had some questions about Project 5760 that would need to be discussed in executive session.

Marshall moved forward with proposing an executive session.

Marshall said, 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 Project 5760, which are required to be kept confidential by Colorado Revised Statutes Section 24-72-204(3)(a)(IV). Duran seconded the motion. Motion passed unanimously.

The Commission is now in Executive Session to discuss Project 5760.

Marshall moved the Commission exit Executive Session. Duran seconded the motion. Motion passed unanimously.

The Commission is now in Open Session.

D. Job Growth Incentive Tax Credit (JGITC): Rebecca Gillis

Project Destiny

Gillis presented Project Destiny. Project Destiny is a publicly-held company which operates a global digital video subscription service and community. With a rise in the popularity and uptake of subscription-based consumer services, Project Destiny is currently in the process of analyzing several locations across the United States to host a new, in-house, state-of-the-art filming studio and post-production operation.

Staff is requesting \$3,043,464 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 155 net new full-time jobs at a minimum average annual wage of \$63,362, 100% of Boulder County's average annual wage in support of this project.

M/S/P – Marshall, Clark – Project Destiny approved as presented and recommended by staff.

Project Peach

Gillis presented Project Peach. Project Peach is a privately-held, venture-backed agriculture technology company headquartered in San Francisco, California. The company is a leader in indoor farming, and deploys state-of-the-art technology to provide fresh produce to customers year-round. Project Peach's leadership is currently evaluating markets for future farms, and the company is considering the greater Denver area its next potential opportunity. Major factors for the company include: electricity rates, cost of labor, property tax rates, incentives, and other significant determinants of operating costs.

Staff is requesting \$1,017,569 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 43 net new full-time jobs at a minimum average annual wage of \$82,442, 100% of the Broomfield County's AAW in support of this project.

D. Brown it appears the company didn't comply with staff's request of information under the financial highlights. What is the issue?

Gillis said the company is highly confidential and I had several conversations with the company discussing their concerns about the level of confidentiality, given the massive investments they've collected recently, given the high reputation of those investors.

Gould said it is a concern. The investors did come up with over \$200M in cash that were provided in two tranches, Series A and Series B. Based off of that knowledge, most of the Series A investors moved to Series B, showing great support for the viability of the Company. I understand they had confidentiality issues but a lot of these financials are not readily available. They are still running through them and giving them to their board. It's less confidential and more that they are still working out the business plan and they don't have a three-year projection as of yet, to give. However, one of the investors is a very large private equity firm. This is a small deal for them and they are pushing the company to expand faster and they want to take over the market right away for this Tech-Ag Indoor Farming.

Kraft said the level of investment and the capital of the investors and their ability to continue to support the project is extraordinary. This made me comfortable with saying it passes our financial credibility test.

Gould said they are building out a facility right now in Seattle, which is a mid-tier facility, half of what they would build here in Colorado. They are still working on the technology. They have Proof-of-Concept. They've done a lot of R&D.

Marshall asked staff if they got the sense that if they had a little more time to put together the appropriate financial information, we could delay a decision, or is this time sensitive to the success of this project.

Gillis said it is time sensitive given the negotiations they are carrying out with our local communities. Many of our local communities require any approval on a public scale. If that had to happen at the local level before it happened at the state level, then the confidentiality would be blown. They are moving quickly.

D. Brown said based on the credibility of the investors rather than the financial viability of the company would be known for us.

Kraft said you have to look at their cash in the bank to execute their strategy and this Company has an enormous amount of cash in the bank and that's what makes me think it's viable. If they didn't have cash in the bank in the form of equity to do this, we would not bring a company that had these financials to you.

D. Brown said we don't have the audited financials to show the cash in the bank.

Kraft said we could make the approval of this project contingent upon validating that number.

Marshall asked if we've done that before.

Kraft said in some cases we have approved projects with this type of contingency.

Clark asked if the export will be out of state.

Gillis said one of the unique factors of this project is that these farms are meant to serve an immediate radius. The value that we see in this project is that it will be the first full scale facility and much of the R&D for those additional add-on farms around the country, which will be one to two over the next few years, will greatly model what the company will be doing in Colorado. The Company has asked many questions about non-profits and foodbanks they can work with. They are really planning on integrating here.

D. Brown asked if the Company had a research relationship with any of the research Universities in Colorado.

Gillis said the Company met with CSU's Ag Science location. We have also given them information about the National Western Center that will be coming on line in the next five to six years that they can tune themselves into as well.

Duran asked to hear more about alleviating the environmental effects of traditional farming methods and also, relating to the funding source, this project doesn't have to represent that it's not in competition with other businesses?

Marshall said no, it's not Rural Jump-Start.

Kraft said it doesn't meet that criteria.

Gillis said given the negative ramifications, it all comes down to their supply-chain being sub-localized. Fewer semi's taking produce from California to Colorado and cutting down the carbon emissions of transport.

Clark moved approval of the project as presented. Marshall seconded the motion. Motion passed unanimously.

D. Brown asked that staff report next month that they have seen the bank statements.

Kraft said we can make the approval contingent upon staff verification.

Clark made a supplemental motion for approval of Project Peach as presented contingent upon staff verification of the Companies bank statements.

M/S/P – Clark, Marshall – Project Peach was approved as presented and recommended by staff contingent upon staff's verification of the Companies bank statements.

E. Strategic Fund (SF): Jeff Kraft, Rebecca Gillis
Strategic Fund Balance Forecast

Kraft presented the Strategic Fund Balance forecast which currently shows a projected balance of \$2,411,087, if the SF projects on today's agenda are approved.

Project 5760

Gillis presented Project 5760. Project 5760 is a publicly-held, Colorado-based global provider of information technology products, services, and solutions to commercial and industrial users. The company has over 1,500 employees in Colorado and over 18,000 employees globally. Project 5760 is relocating and expanding various global company functions and staff to one of the company's major pre-existing facilities.

Staff is requesting \$4,550,000, \$3,500 per new FTE, in a performance-based Strategic Fund incentive over a 5-year period. This incentive is contingent upon the creation of up to 1300 net new full-time jobs at a minimum average annual wage of \$63,310, 100% of Arapahoe County's AAW, in support of this project.

Duran moved approval of Project 5760. Clark seconded the motion.

Marshall is concerned with the amount of the request. We get approximately \$5M as part of the long bill and it's not guaranteed. Given the investment is a significant part of a singular year and that it would basically eliminate the potential for pipeline, we have to balance that. With the excitement about the 1300 new jobs and the absolute desire to see those in Colorado, it's exciting to see a company growing at such a clip that we're looking at multiple opportunities to support it. I think it's a valuable project and I want to see it supported. I'm struggling with the \$4.5M request, which is so much larger than what we normally see. Is it possible for the Commission to grant a lesser amount if it's determined that is the appropriate thing to do?

Kraft said the Commission does have absolute discretion over the Strategic Fund. There is nothing in statute that says how much money you have to grant. The guideline policy that the Commission adopted is it is based on the number of net new jobs calibrated by the wage level. If you have a higher than average county wage, it could be \$2500 up to \$5000 per job.

Marshall said she would be much more comfortable in the range of \$3M, which is more than half of our normal, annual funding and it would leave our pipeline at negative \$861,000 rather than such a high negative. Given that we have five months in the fiscal year and that we have such a great ongoing relationship with the company and because of the previous successful projects we've done with them, absolute confidence that they will be able to deliver, just a suggestion to Commissioners that at this time, I would feel more comfortable with a \$3M grant request off the top that would give them cash to get moving.

Kraft said if we gave \$2,500 per job, which is sort of the minimum threshold that we give, that would be \$3.25M.

Marshall moved approval of \$3.25M for Project 5760. Clark seconded the motion.

Kate with Project 5760 said this is a project that has been years in the making. The City has done a great job in putting together. This \$4,550,000 request is the last piece to make this project feasible and that is due to a lot of support both in terms of time and financial contributions from the City. The Company is holding the line on feasibility with this full amount. To the point that with a lesser amount, we may want to table the discussion rather than vote on a \$3.25M reward because we would have to go back to the drawing board with other mechanisms to enhance the safety for current employees and other ways to address some of the concerns from the City.

Bailey said they are in support of the full amount being approved. This company has been a strong partner and job creator. The company has contributed substantially in the community. Furthermore, in the metropolitan area, when it comes to the Strategic Fund, often times companies are not able to receive this type of funding because the community is not able to match it.

D. Brown called for a vote of the substitute motion of \$3.25M out of the Strategic Fund.

M/S/F – The substitute motion for \$3.25M was defeated. Marshall, D. Brown and Reeves in favor. Clark, Duran, Schiff opposed.

D. Brown called for a vote of the original request of \$4,500,000.

M/S/P – Clark, Duran, Schiff, Reeves, in favor. Marshall, D. Brown opposed. Project 5760 approved as presented and recommended by staff.

F. Rural Jump-Start: Ken Jensen

Jensen presented Routt County/Town of Hayden. Routt County and the town of Hayden would like to form a Rural Jump-Start zone. Both entities have passed a resolution to offer tax exemption and participate in the program.

The local economic developers are currently working with a company that plans to locate in Hayden and manufacture precision rifle casings used by competitive sport shooters and hunters. This company was approved by the EDC for a Strategic Fund grant of \$308,486 in November 2017.

This application is put forward by Janell Oberlander, Vice President, Colorado Northwestern Community College (Craig), and supported by John Bristol, Economic Development Director, and Steamboat Springs Chamber Resort Association.

Routt County was originally not included in the list of eligible counties, as it had not met the requirements for economic distress in the last two annual county reviews. In August of 2017, at the request of the local economic developers, the Colorado Economic Development Commission approved making Routt County eligible for the program, with the stipulation that Steamboat Springs would not be eligible. Having been made eligible, this application is to actually create the zone.

M/S/P – Marshall, Clark – Routt County and the Town of Hayden RJS Zone approved as presented and recommended by staff.

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

Rodriguez-McGill presented Project Delta. Project Delta is a documentary film exploring the life of a well-known Chicano artist with Colorado ties. The feature-length documentary will create local jobs for Colorado-based crew allowing them to work where they live. Additionally, the Colorado-centric subject matter will educate audiences both in and out of Colorado on a celebrated – and intriguing – Colorado artist. Given the production team’s experience with film festival circuits and national distribution, there is also an opportunity for out-of-state film and art lovers to view Project Delta.

The project has a total preliminary Colorado budget of \$521,075 with a payroll spend of \$317,975 and a vendor spend of \$203,100 and a total of 18 Colorado Cast hires.

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

OFTM Budget

Rodriguez-McGill presented the OFTM Budget which currently shows a balance of \$164,215.00 in available balance if today’s project is approved.

Project Updates

Rodriguez-McGill provided project updates.

Introduced as Project Pigskin, The Von Miller Studio 56, has premiered on Facebook. They’ve had three episodes and it is released every Wednesday.

Side Stories is an immersive event will project digital works from ten Colorado artists onto outdoor walls in East RiNo, creating a walkable art experience through the neighborhood. Our office is working with Fiona Arnold, who used to be the Executive Director here at OEDIT and Mary Lester who works at the Art Museum and the Art Hotel and we are collaborating closely with the RiNo Art District.

EDC Project Update

Kraft said that yesterday, Maxar Technologies, who is the new parent of Digital Globe, made the announcement that they are consolidating their headquarters here with Digital Globe from the Bay Area. This is a great example of making, growing, and consolidating a headquarters here.

H. Regional Tourism Act (RTA): Jeff Kraft

Kraft presented the Monthly RTA Project Scorecard.

Pueblo/PBR

Kraft said one of the things that Pueblo/PBR will do in their reporting to fulfill one of the requirements put in place when they were allowed time to commence substantial work, they are going to show us how they are spending City monies alongside how they are spending RTA monies in future reports.

Colorado Springs/C4C

Kraft said the Downtown Stadium and Arena in Colorado Springs continues to be a very active conversation. At one point there was some discussion about building this at the Antlers Park. They decided to move off of that and they are now exploring other opportunities. They will be coming back to the EDC at some Point with a business plan for the Stadium and Arena because they have to get approval from the EDC. They have said that when they originally proposed this it was going to be a single, physical facility integrated together. That may not be the case in the final proposal. It would still be in the Zone and in Colorado Springs but something we all have to collectively think about is, would we be okay with that. I don't believe we spelled out a condition that they both have to be together in a single site, but the Commission may have an opinion about that.

D.Brown asked could we require some sort of economic analysis on the impact of the change as compared to the proposal.

Kraft said you have the right to approve their business plan. If their new business plan has changed, you can say that you want them to have an economic analyst look at this and prove that you're not going to lose any of the impact. I can give the project a heads-up that you're thinking along those lines so they won't be surprised in a few months when they do come to talk about it.

Marshall asked what the ramifications be if the analysis comes back and it negatively or positively effects the impact.

Kraft said it wouldn't change anything about the r. We did agree that wouldn't unreasonably withhold the approval, but if you don't approve the business case, that project can't move forward and it could run out of time and then you would have to decide to not extend or extend it for a year.

Denver/NWC

The National Western Center has offered to host our EDC meeting in April with a tour of the grounds after the meeting.

OEDIT

OEDIT has made an offer to an RTA Analyst, who has accepted. They will be starting March 1, 2018.

Staff will be emailing the Commission with a draft of our Monitoring Guidelines, Processes, Procedures and Controls document between meetings so you can take a look and email us individually with comments. The first draft will be presented at the March meeting.

Kraft provided the Commission with the Q4 2017 RTA Project Reports from Aurora/Gaylord, Colorado Springs/C4C, Denver/NWC, NCRTA/Go NoCO, and Pueblo/PBR.

Kraft said one of the Commissioners previously asked Pueblo to provide more information on what the physical items were going to be in the PBR Center. Pueblo did provide the list of all the sports performance and training items along with a diagram.

I. Budget Update: Jeff Kraft

Kraft provided an update of the EDC budget which currently shows a balance of \$4,848,913 available for future projects.

AI Budget

On behalf of the AI program manager Katie Woslager, Kraft provided the AI budget which currently shows remaining available funds of \$7,801,181.

J. Other

Update of Transferrable Tax Credits (TTC): Ken Jensen

Jensen presented the TTC Update. There have been no changes to the Transferable Tax Credit program since the last EDC meeting. Only one company has been approved by the EDC for the Transferable Tax Credit program. Project 5000 is currently having extensive conversations with a key input supplier, and has demonstrated a substantial interest in moving this project forward in Colorado. A formal project update to the EDC is still planned for this summer.

There is another company interested in the Transferable Tax Credit program. This company has not been presented to the EDC yet. The company is a manufacturer of solar panels, currently headquartered outside the US, and considering a building in southern Colorado. This project would create approximately 1,000 jobs. Given the expected wage level, this company would only be eligible for the Enterprise Zone Incentive Tax Credit, not the Job Growth Incentive Tax Credit.

Next EDC Meeting

The next meeting will be on March 15, 2018.

With all items discussed, the meeting was adjourned.