

**ECONOMIC DEVELOPMENT COMMISSION
MEETING SUMMARY**

August 8, 2018
8:30 a.m. – 12:00 p.m.

MEETING DATE

August 8, 2018
2001 Blake Street
Denver, CO 80205

MEETING PARTICIPANTS

A. Commission Members

Carrie Schiff, Robert Price, Rob Brown, Tara Marshall, Tom Clark, Denise Brown, Benita Duran, Chris Franz, Karen Blumenstein, and Lisa Reeves.

B. Guests

Paula Marshall, Sam Bailey, Ed Sealover, Teresa with Project Iris, Tom with Project Iris, Jessica Erickson, Lynn Myers, Deborah Cameron, Aldo Svaldi, Gary with Project Deckers, Nicole with Project Deckers, Greg with Project Deckers, Jim with Project Deckers, Bob Cope, Sarah Lobato, Jariah Walker, Jeff Green, David Neville, Dan Schnef, Eric Smith, Don Hunt, Carlos Cruz Gonzalez, Duane Boyle, Nick Regan, and Laura Newman.

C. Staff

Stephanie Copeland, Jeff Kraft, Sean Gould, Dan Lane, Sonya Guram, Che Sheehan, Reid Aronstein, Dave Madsen, LeeAnn Morrill, Jill McGranahan, Luis Benitez and Virginia Davis.

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the June 21, 2018 meeting.
2. The Economic Development Commission approved the following items: **JGITC** – Project Iris; Project Deckers; Project Cardinal; **EZ** – Region 8 ED of the San Luis Valley; Community Agriculture Alliance, Pikes Peak Summit Complex; and Living Wisdom Village.

A. Meeting Called to Order

Schiff called the meeting to order and covered Housekeeping items.

Meeting Minutes

Price moved approval of the meeting minutes from the July 19, 2018. Marshall seconded the motion. Motion passed unanimously.

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

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

Project Iris

Hadwiger presented project Iris. Project Iris is a well-known company headquartered in the Washington, DC area. This company offers a wide range of services and often works with the US armed forces. Colorado is competing for the company's new R&D center, which, if things go well, could also lead to a production facility. Activities in this facility will span engineering, prototyping, and testing of electrical power, thermal management, and electromagnetic systems.

Staff is requesting \$9,386,458 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 1097 net new full-time jobs at an average annual wage (AAW) of \$63,362, 100% of Boulder County's AAW, in support of this project.

M/S/P – Franz, Blumentstein – Project Iris approved as presented and recommended by staff.

Project Deckers

Hadwiger presented project Deckers. Project Deckers is a provider of data, insights, and employment connections through specialized services for technology professionals and other online communities. Employers and recruiters use the company's websites and services to source and hire qualified professionals in select occupations, while individuals seeking professional opportunities may use the company's services to find employment. The publicly-held parent company currently employs 75 people in Colorado and 513 companywide. Project Deckers is headquartered in New York.

Recently, Project Deckers has begun a tech-focused strategy with an emphasis on further development of the company's core brands which serve the IT industry. As part of this strategy, the company is considering an increase in the hiring of technology professionals to serve internal operations, and related positions in order to enhance the selected portfolio brands' data analytic capabilities. The company will begin to launch value-add products to its existing product lines to serve its growing business in the tech industry, as well. The brands in question with Project Deckers currently have offices in Colorado and Iowa, and the company is evaluating whether either of the current locations is most ideal for this expansion project.

Staff is requesting \$379,228 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 20 net new full-time jobs at a AAW of \$66,430, 100% of Denver County's AAW, in support of this project.

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

Project Cardinal

Hadwiger presented project Cardinal. Project Cardinal is an initiative to pursue the optimal location for the global headquarters of a leading Fortune 250 consumer products and e-commerce company. The primary motivation for undertaking this relocation strategy is to co-locate the company's global headquarters with key personnel managing a number of the company's brands, which are currently decentralized across multiple locations throughout the United States. The company is focused on choosing a location which allows it to recruit and retain top talent, offers a competitive cost of living for employees, and is a location with a business and community environment that aligns with the culture of the company's brands in terms of both commercial and social impact.

Staff is requesting \$27,036,262 in performance-based Job Growth Incentive Tax Credits over an 8-year period for the creation of up to 800 net new full-time jobs with an AAW of \$66,430, 100% of Denver County's AAW, in support of this project. Staff also requests we allocate \$3 million in precertification of Transferable Tax Credits for FY 18/19 which can be comprised of Job Growth Incentive Tax Credits or statutorily eligible Enterprise Zone Tax credits for which the company qualifies during the 10-year period beginning on the next income tax year commencing after the EDC approval, beginning of tax year anticipated to be January 1, 2019.

Marshall made the following motion:

1. Find that the Strategic Capital Investment and the accompanying economic development initiative that is known as Project Cardinal (i.e. establishing and maintaining) a new Fortune

500 Headquarters in Colorado and the accompanying jobs is very significant to the state and will be highly productive for many years as described in the OEDIT staff project write up.

2. Issue a written pre-certification to Project Cardinal to treat its allowed income tax credits differently by allocating \$3M from the current 12 month period 7/1/18 to 6/30/19 (holding back \$7M which is ear marked for Project 5000) and earmarking \$10M from the future 12-month period 7/1/19 to 6/30/20 for this project for a planned total of \$13,000,000 in transferable tax credits for Project Cardinal. This award is based on a forecasted capital investment of \$100,000,000 or more starting after this EDC meeting as described in the Project Cardinal OEDIT staff write up for this EDC meeting.
3. Hold transferable tax credits described above for this project until November 8, 2018 at which time the EDC will have the option to maintain, reduce or re-assign these to other applicants if the company has not publicly announced the project in Colorado.
4. Affirm that the transferable tax credits can be comprised of any combination of Enterprise Zone Investment Tax Credits, Enterprise Zone New Employee Credits, Enterprise Zone Research and Development Credits, or Job Growth Incentive Tax Credits that Project Cardinal earns during the 10-year period beginning in the tax year which commences immediately following this precertification approval as allowed by Colorado statute. These tax credits shall be earned subject to any existing or future amended Colorado statutes, rules, and processes required for non-transferable tax credits, including but not limited to annual precertification and certification for Enterprise Zone Tax Credits, and baseline and annual reporting for the Job Growth Incentive Tax Credit.
5. Affirm that responsibilities of Project Cardinal will include making requested presentations or updates to the EDC and/or OEDIT until the project commences, and submitting progress reports to OEDIT as needed after commencement. Furthermore, the pre-certification may be subject to modification or revocation by the EDC until commencement.
6. Stipulate that the offer of the ability to treat certain tax credit differently (i.e. make them transferable) for Project Cardinal is contingent on the Project moving its Global Corporate Headquarters to Colorado and maintaining its Global Headquarters in Colorado during the 10 year business period specified in the transferability statute. The company must move its Global Headquarters to Colorado in a timely basis (as determined by the EDC), maintain its Global Headquarters in Colorado, and/or execute and fulfill a minimum 10 year lease for (or purchase) a headquarters location. If these condition are not satisfied, the EDC maintains the option to make any remaining un-transferred credits and any future allowed credits (i.e. earned credits) non-transferable or to take other actions permitted under the statute.
7. Affirm that before Project Cardinal can actually transfer any earned tax credits, it must comply with any existing and future amended statutory requirements. Project Cardinal must finalize the investment and return to the Commission with verifiable evidence that the investment was made and an independent CPA audit of the investment and tax credit calculations and satisfy other statutory obligations or EDC guidelines.
8. Notify Project Cardinal that because the applicable statutes are new and require significant coordination with and later approval from the Colorado Department of Revenue, and the amount of the tax credits is substantial, the Commission hereby notes for the record that neither it nor OEDIT can provide advice to Project Cardinal on any tax matters. As a result, the

Commission strongly recommends that Project Cardinal obtain the advice of a qualified tax attorney and CPA of its choosing in preparing all filings, and request one or more private letter rulings from the Department of Revenue in advance of finalizing the investment decision or claiming credits, transferring credits, and filing tax returns to ensure that it is in compliance with Colorado law and Department of Revenue rules and processes.

9. Approve a **\$27,036,262** performance-based Job Growth Incentive Tax Credits over an 8-year period subject to all of the statutory requirements applicable to this type of award, including but not limited to meeting the average annual wage and minimum net new job requirements described and specified in OEDIT’s recommendation to the Commission for Project Cardinal.
10. Direct OEDIT staff to incorporate this motion into an appropriate written document similar to that provided to Project 5000.
11. Direct OEDIT staff to update the transferable tax credit program guidelines to align with the recommendations contained in the Project Cardinal EDC write up supplied for this meeting.

Franz seconded the motion. Motion passed unanimously.

M/S/P - Marshall, Franz – Project Cardinal approved as presented and recommended by staff.

Update of Approved Projects

Hadwiger provided an update of a previously approved project. F.List/Project Aviate, approved by the EDC in January, has selected Colorado Springs for its US headquarters after an extensive site search. This project was approved for a JGITC in the amount of \$706,267 for the creation of up to 60 net new full-time jobs.

ORec Summer Market Update

Benitez provided and updated of the ORec Summer Market. The Summer show had roughly 30,000 attendees, from fifty countries, and all fifty states. Fifteen hundred brands from around the world and regrading Colorado, we had five thousand attendees with about fourteen hundred specific retail buyers and shops from our state. This was a significant impact to the Outdoor Industry in our state.

The Commission thanked Benitez for all the effort and impact his work has had for the state.

C. Enterprise Zone (EZ): Jeff Kraft

Guram presented the following Enterprise Zone Contribution Project Proposals.

EZ – Project Name	Project Type	Completion Date	Project Budget	1 yr. Projected Credits
SLV - Region 8 Economic Development of the San Luis Valley	Operations: Economic Development Organization	2023	\$120,000	\$5,625
Northwest - Community Agricultural Alliance	Operations: Business Assistance	2023	\$110,000	\$1,500
Pikes Peak - Pikes Peak Summit Complex	Capital: Tourist Attraction	2023	\$55,000,000	\$562,500
SLV - Living Wisdom Village	Capital: Community Facility	2023	\$111,249	\$11,875

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

**D. Regional Tourism Act (RTA): Jeff Kraft
Colorado Springs (COS)/City For Champions**

Kraft said we will hear from Jariah Walker who will introduce the COS contingent and the team from Blue and Silver Development who will talk to the Commission about the Air Force Academy Visitor Center.

Kraft said, we had very little limited requirements from a resolution perspective. There were some size requirements, but this design and project far exceeds what the Commission required of them. They used some really innovated and clever financing to figure out how to do this.

Walker introduced the COS contingent.

Cope referred to the press release that went out on July 25th announcing the plans and partners for the Sports and Events Center. Comprised of two separate facilities, these will be state of the art, multi-purpose venues designed to host professional, Olympic and amateur sporting events as well as entertainment and cultural events. The outdoor downtown stadium will become the permanent home of the Colorado Springs Switchbacks while the event center will serve as the new home of the Colorado College ice hockey team. Partnering and providing private financial funding in the venture are Colorado College, the Colorado Springs Switchbacks and Weidner Apartment Homes. The next step in the project will be the presentation of the business plan and commencement of substantial work toward the project by the EDC at its meeting in September.

Cope introduced Dan Schnepf, Managing Member of Blue & Silver.

Schnepf introduced his team and provided a project update.

Enhanced Use Lease - Governed by US Title 10 Section 2667 allows for a lease of federal land in exchange for the development of an unfunded federal need on underutilized federal property. The Air Force Academy seeks a new Visitor's Center and is providing approximately 60 acres of Academy Property at the North Gate and I-25 for commercial development. Blue & Silver Development Partners LLC is negotiating a Master Developer and Ground Lease with the Air Force as the selected Qualified Lessee.

Finance Approach - The development will require private equity, debt and public finance to be successful. Title 31 Business Improvement District (BID) requirements for a public finance approach will be applied in the development of the project.

Air Force Academy Visitor's Center, \$34MM - 37,000 square foot Visitor's Center, Parking lots, lighting and landscape, and the Polaris Promenade

Public Infrastructure, \$18MM – Transportation Infrastructure – Roads, Ped. & Veh. Bridges, Water and sanitary sewer systems, Storm water facilities and channel improvements, and Electric, gas and telecommunications.

USAF Academy Visitor District Financing Plan - Over \$100 Million Hotel, Office, Retail and Private Investment. Regional Tourism Tax, City of Champions, USAF Visitor Center - Up to \$13 million nominal value. Business Improvement District – Capital Construction up to \$50 Million, O&M up to \$10 Million, and PIF u to 3%. City URA/Tax Increment – Sales Tax up to 3.12%, Property Tax up to \$57 Million, Lodging Tax up to 2%.

Current Project Status and Schedule

BSDPs Selected as Highest Rated Offeror, March, 2018

Master Lease with USAFA

- *Finalize Term Sheet – August 2018*
- *Finalize Master Lease Agreement – October 2018*

- *Execute Master Lease – December 2018*

Environmental Baseline Study (EBS) and Environmental Assessment(EA)

- *Draft EBS & EA – September 2018*
- *Final EBS & EA – December 2018*
- *Finding of No Significant Impact (FONSI) – December 2018*

Annexation into City of Colorado Springs (includes Master Plan and ZoneChange)

- *Submitted Petition for Annexation – July 23, 2018*
- *City Council Acceptance of Petition – August 28, 2018*
- *Finalize/Complete Annexation – January 2019*

Business Improvement District Formation

- *BID Formation Approved by City Council – July 24, 2018*
- *BID Election – November 6, 2018*

Urban Renewal Formation

- *Submit Application to URA – August 2018*
- *URA Formation Complete – March 2019*

Bond Issuance – May 2019

Construction Schedule

- *Public Infrastructure – June 2019*
- *Private Development – October 2019*
- *Visitor Center – October 2021*

Development Project Costs Expended to Date - \$400k (approx.)

The EDC thanked Colorado Springs for the update.

Program Update

Kraft provided an RTA monthly scorecard update.

Pueblo/PBR University

OEDIT is waiting on the final amendments from Pueblo. There have been some lags on all sides in getting it done.

The Commission asked when the deadline was to get this done.

Kraft said there is no hard and fast deadline to get this done and reminded the EDC that they have already verbally approved everything. The reality is, the Resolution is the EDCs and as a courtesy, we run them past our partners and negotiate them, but we do not have to do that. Should the EDC choose, we could bring this to a close, issue it and be done at any time.

The EDC asked how staff how far apart we are and is that something we should consider.

Kraft said he anticipates it coming to conclusion soon.

Morrill said after the first drafts were not received well, and after they issued their bonds we drafted a Resolution 1A concerning commencement, basically saying, as soon as we get the second amendment to Resolution 1 inked and approved by the Commission, the next step would be for the EDC to approve Commencement.

The EDC directed staff to get them final Resolution next month at the September meeting.

Staff will work to execute.

Colorado Springs/City For Champions

OEDIT has requested an update on USOM budget to understand if there are any recent substantial changes per Commissioner Blumenstein. CSURA is working to provide that. OEDIT staff met with Blue & Silver Development Partners and AFA Officials on July 27th to understand the program in detail. The work on the Visitor Center itself is scheduled to begin in 2021. CCOS recently announced developers for project as Colorado College and the Colorado Switchbacks/Weidner Apartment Homes.

NCRTA/Go NoCO

OEDIT is working with the Go NoCO attorney on a final resolution. NCRTA Board met and directed project elements to have internal discussions with each other during August, before meeting with OEDIT, to determine which project is closest to commencing and be prioritized in the funding. No update on the Stanley Film Center as element is not available to meet before September.

Denver/National Western Center

EDC approved changes to Exhibit B in July meeting. Working with project to develop written resolution amendment.

Audit

Kraft said the Audit Manager accepted our RTA Policies and Procedures and Audit Response. They had no follow-up questions. Sometimes these audits have dozens of questions and agreed staff has implemented their recommendations. I take this as a really good sign. Schiff will be joining us at the August 14th hearing to have a conversation with the Audit Committee.

Schiff commended Kraft and his team for all the work done on the policies and procedures.

Kraft provided the Colorado Springs/City For Champions Q2 2018 Report, Aurora/Gaylord Q2 2018 Report, Denver/National Western Center Q2 2018 Report, NCRTA/Go NoCO Q2 2018 Report, Pueblo/PBR University Q2 2018 Report to the Commission for their review.

Kraft said, in regards to the Pueblo Q2 report, he pointed out that one of the things that Pueblo has done, which is a key accountability gauge is including a spreadsheet for Eligible Projects Funded by State Sales Tax Increment, Bonds, City Loan and DOLA Grant.

City Loan is key. One of the reasons, a year ago we approved an extension for the Pueblo project is they City stepped up and made a loan to help finance this project. One of the things we said is, we want them to spend that loan concurrently with the RTA proceeds. This is the first time they implemented their reporting on this to prove that out.

E. Certified Small Business Communities (CSBC): Jeff Kraft

Kraft provided the CSBC report update saying staff will be coming forward at a future meeting to provide a report and make a request.

F. Other:

AI Budget

Hadwiger provided an AI Budget update which currently shows a balance of \$4,475,333 in available funds.

Hadwiger said the application is now open for the AI grants and will be closing on September 7. We are also planning to invite the Commission to the review committee meetings that are scheduled for October.

Next EDC Meeting

The next meeting will be on September 20, 2018.

Kraft said the October EDC meeting will be in Trinidad on Wednesday the 17th.

Marshall provided a quick overview of what to expect during this community-based EDC meeting.

Franz and D. Brown have some suggestions to make some changes to the AI budget which will hopefully be easier to digest.

Woslager will work with D. Brown and Franz individually to reformat the AI budget.

G. Regional Tourism Act (RTA): Jeff Kraft

Executive Session

Franz said, pursuant to Colorado Revised Statutes Sections 24-6-402(3)(a)(II) and (III), I move that we go into executive session with our attorney for the purpose of discussing and receiving legal advice about Commencement of Substantial Work and the Ability to Modify Resolutions, which are required to be kept confidential by Colorado Revised Statutes Section 2-3-103.7. Duran seconded the motion. Motion passed unanimously.

The EDC is now in Executive Session.

Marshall moved the EDC exit Executive Session. Franz seconded the motion. Motion passed unanimously.

The EDC is now in Open Session.

With all items discussed, the meeting was adjourned.