

## ECONOMIC DEVELOPMENT COMMISSION

### MEETING SUMMARY

February 21, 2019

8:30 a.m. – 12:10 p.m.

#### MEETING DATE

February 21, 2019

1600 Broadway, Suite 2500

Denver, CO 80202

#### MEETING PARTICIPANTS

##### **A. Commission Members**

Carrie Schiff, Chris Franz, Karen Blumenstein, Jay Seaton, Tara Marshall, Tom Clark, Lisa Reeves, Robert Price, and Benita Duran.

##### **B. Guests**

Richard Scharf, Robin Brown, Bob Cope, Wynne Palermo, Richard Scharf, Robin Brown, Stuart Borne, Tiffany Pehl, and Stephanie Gonzales.

##### **C. Staff**

Betsy Markey, Jeff Kraft, Ken Jensen, Sonya Guram, Luis Benitez, Che Sheehan, Reid Aronstein, Dan Lane, Jill McGranahan, Michelle Hadwiger, and Virginia Davis.

#### DECISION/ACTION ITEMS

1. The Economic Development Commission approved the EDC Meeting Summary from the January 17, 2019 meeting.
2. The Economic Development Commission approved the following items: **RJS** - Removal of Colorado Clear, Rebco, Qmast, General Synfuels, and TSW Analytics; Foothills Housing; **EZ** - NE-Community Engagement and Sustainability; SE-Baca County Fairground Improvements; CEN-Cloud City Wheelers; NE-Morgan County Economic Development Corp.; CEN-St. Vincent's Hospital Foundation; LAR-The Fort Collins Rescue Mission; NE-MCC Center for Arts and Community Enrichment; SC-Stonewall Century Ride; NW-STARS Ranch; and SC-Two Peaks Building.

##### **A. Meeting Called to Order**

Schiff called the meeting to order.

##### **Meeting Minutes**

Marshall moved approval of the meeting minutes from the January 17, 2019 meeting. Blumenstein seconded the motion. Motion passed unanimously.

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

##### **B. Strategic Fund: Luis Benitez, Richard Scharf, Sean Gould and Michelle Hadwiger**

###### **ORec Outdoor Retailer Show Update**

Benitez and Scharf provided an update of the project. They provided some background on the initial request and provided some information on all the moving parts of a show like this. The total direct economic impact from the Outdoor Retailer Show in January, June and November is \$143,580,000. We hit our projections and we were able to do it without using all of the funds so we are returning \$200,000 back to the Strategic Fund. All of the funding expenditures have been verified by BF&I. We are on track and appreciate the partnership.

Marshall added, in Trinidad, they had been trying to figure out a way to acquire a large 19,000-acre piece of property to develop as an outdoor recreation area. In late 2017 after this was announced, we were able to bring in partners on the reputation and premise that Colorado was prioritizing outdoor recreation. Therefore, the investment and the ability to raise funding for that would follow and we will be closing next Thursday. I see that as an additional economic impact in rural Colorado as a result something that happened here just to change the way that Colorado was perceived in terms of investment.

The Commission congratulated Benitez and Scharf on the success of this major undertaking.

### **Project Report Discussion**

Gould talked about the Project Report section and what we can do to make it more effective for the EDC. The Commission provided staff with some feedback. Staff will revise this section of the report and will provide a revised draft report in the next board book.

### **Update of Previously Approved Projects**

Hadwiger provided an update of previously approved projects. Project Brother/Kiewit, one of the nation's top construction engineering firms, is planning to locate their regional headquarters in Lone Tree. They were approved for \$18.65M for the creation of 850 in April.

Project Playa/Crocs will be relocating their corporate headquarters to Broomfield in 2020. They will have an 88,000 sf building 13 miles away from its previous headquarters. They confirmed that our and Broomfield's incentives played a key role in their decision to expand here. They were approved for a JGITC in the amount of \$606,272 for the creation of up to 81 net new full time jobs.

Hadwiger reported on two projects that we didn't win. Project Half-life was a German company that wanted to open a radiopharmaceutical company in the US. They were approved for a JGITC incentive in the amount of \$2.4M in September. They ultimately decided they needed to go to the East Coast to be closer to Europe.

Project Iris was a two-phase project being implemented by a DC based company that was working with the US government. They were approved for \$9.3M in August of 2018 . The site selector has told us the company will likely not be moving forward in Colorado. Due to the secretive nature of the work, we will not be given a reason why.

### **C. Regional Tourism Act: Jeff Kraft, Ken Jensen**

Jensen presented the project monitoring update.

#### **Aurora/Gaylord**

Grand opening scheduled for March 2<sup>nd</sup>.

#### **Pueblo/PBR**

Planned opening in March.

#### **Colorado Springs/City For Champions**

##### **UCCS Sports Center**

Staff is working with UCCS to determine who will certify the independent engineer costs.

##### **USAFA Welcome Center**

The master lease is anticipated to be released to the State by late February.

#### **Downtown Stadium and Arena**

Confirm final milestone details including required supporting documentation. OEDIT added comments and points to discuss toward Colorado Springs' proposed milestones that constitute CSW.

### **NCRTA/Go NoCO**

NCRTA working to provide audit per statutory requirement. OEDIT staff engaged with NCRTA. OEDIT to help facilitate discussion with developer to discuss financing and project scope. OEDIT preparing draft of Amended Resolution #4.

### **Denver/National Western Center**

Project submitted draft of written resolution amendment about changes to Exhibit B. OEDIT planning to discuss draft at upcoming quarterly meeting.

Kraft said, Schiff, Markey and staff met with Go NoCO officials and we had a good, frank conversation with some of the stakeholders. We came up with a few new ideas that could improve things. Some of these we will have legal questions on but we talked about the reason for the guardrails and what they are. The RTA awards are not to specific developers they are to the communities. One of the things we talked a little bit about is what role can play in helping to facilitate some state intervention to make some connections with other investors and encourage some creative thinking with the developers about some of these projects that haven't moved forward as quickly. We are also having really good conversations with the Stanley Film Center. We've worked through a number of issues and I think that piece is getting really close to being finalized and presented to the EDC.

### **Colorado Springs/City For Champions**

Kraft said, we've discussed two main pathways toward commencement per the statute. One is bonding the revenue stream by the financing entity and the other is physical commencement of work and pre-development work. This group is pursuing the bonding path.

I would like to hit some highlights which I know are issues for discussion. We have Cope and Palermo here to answer any questions.

Kraft started with Milestone #2. For CC, they have the majority of the funding available. The RTA funds are the final gap closer. They have already issued some taxable bonds and received donations. Part of the reason we feel comfortable saying once money is pledged by the financing entity CC they will have enough money, from all the different sources including the RTA funds.

One question for the EDC to think about is how much concrete evidence or proof do you want to see that the money is in the bank and will be used for the project. We are requiring CFO certification.

Schiff asked the board if they had concerns with the CFO certification. Hearing no concerns, we moved to the next item of discussion.

Kraft moved on to the pledges versus the bonds. Staff did ask to see a report on what the total amount pledge was, the amount they actually have received, the amount that they've spent and when they are expecting to get the rest. So a summary level of all the various pledges. Certified again, by the CFO.

Schiff asked the EDC if they had any concerns about the pledges versus the bonds. Hearing no concerns, we moved to the next item of discussion.

Kraft moved to what is a key issue, the consummation of a written agreement or a lease-plus or other written agreement between CC and the Colorado Springs Sports Authority, which is a key piece. Creating a contractual obligation for compliance with Resolution No. 3 and the business plan.

#### Milestone #18

- OEDIT and the EDC to obtain, review, and approve final executed agreement.
- OEDIT and the EDC recommend reviewing draft before executed.
- Colorado Springs to advise OEDIT and the EDC about how the terms of the agreement will be enforced.
  - EDC has recommended that the Sports Authority have the ability to withhold funds from Colorado College if out of compliance with the agreement.
  - Agreement should contain minimum availability days each year for business plan programming.
  - The agreement shall contain a specific list of CC facilities that will be made available as part of the C4C plan and corresponding information about how these facilities satisfy the required minimum size requirements in Exhibit B.
  - The agreement shall be for a term that is substantially similar to the Financing term for Dedicated Revenue stream.

Kraft turned it over to Cope to elaborate on how they would enforce the agreement and the concept of turning off the revenue stream with CC. Because they are not bonding this revenue stream, if we did turn off the revenue stream, or more likely if the Sports Authority turned off the revenue stream, it wouldn't cause a bond to default.

Cope said, we have heard loud and clear that you want teeth in the agreement, especially with CC but with both venues that we will be implementing the business plan and our partners will be continuing to support the business plan. We are already trying to come up with some draft language that we will be ready to move forward with once these are approved again, as far as turning off, withholding or suspending revenue, that is certainly a concept we are talking about. We will need to talk about that also on the stadium for two different reasons. We will be looking for language that does satisfy the Commission in this area. I would rather have the milestone document not necessarily talk about the ability of withholding the funds even though we know that's what you're looking for. That's what we are going to try and bring you. You do have the right to review and approve these documents. So you will have a chance to formally say yes or no on that.

On suspending or withholding funds we are going to have to balance one with CC to make sure they don't feel like we are being over-reaching and going beyond what the Resolution says. When we're talking to the Switchbacks we just have to make sure the lenders comfortable with whatever provision we come up with. The lender knows that we are in search of this type of language and CC knows that as well.

Schiff opened it up to question from the Commission.

Blumenstein said, with respect to the CC side. The RTA funds are very small percentage of the overall funding. Is there a waterfall or any requirement that says you have to use those bond funds first, and then you use the private donations and then the last money to be used is the funding coming out of the RTA? How do you think they would respond to that?

Cope said, the way this is structured is that they will just be using the funds as they come in over time. CC will not be bonding or borrowing against those. They will just use those to repay themselves for eligible costs over time. So they wouldn't be able to put the RTA funds up front because they won't have them up front.

Blumenstein said, at some point in time they will begin to come in and they won't have exhausted the funds that they've generated on their own for the project. So, if you're thinking about it like an equity obligation, equity has to come in first and then the lenders dollars' follow. I'm wondering, and I think this is where D. Brown had a lot of concerns, is it reasonable to say your other funds go in first and the RTA funds are held and they complete the project?

Cope said, the way they are funding this is, they had a large bond issue with significant proceeds, that are just using a portion of those proceeds and they have their donations and gifts that are in hand and then the RTA proceeds close the gap.

Kraft said, the statute, effectively, the decision about whether RTA funds were needed as part of the capital stack was made by the Commission three years ago per the statute. It really doesn't necessarily contemplate that the money be held and only be used at the end.

Blumenstein asked if that is out of our purview?

Kraft said, I wouldn't say it is out of our purview exactly, but it's not what the statute contemplated for the structure to work and it's not what the other projects are doing. If they are able to withhold the money, as long as they are performing, the money flows, and presumably as long as they are performing they are generating the net new out of state visitors. The ability to then turn that off or reduce it, modify it as counsel would advise us to do, gives us the protection that if they are no longer performing, they are not generating the net new out of state visitors and the revenue stream slows down. A better way to respond to what D. Brown is doing, given what the statute sort of contemplates, which is that the RTA funds, once made available, they are not restricted in terms of when they can use them.

Blumenstein asked, do you think we would be violating, or not staying with the intent of the statute, if we said, last dollars in versus use them as they come?

The EDC will discuss this with legal counsel.

Cope said, you can anticipate there will be a minimum number of days in the agreement and a very clear requirement that they cooperate in implementing the business plan. The question is what would the remedy be and we understand you want teeth.

Kraft said, I think what Cope is asking, is that we keep this as a milestone. That you have to approve the Resolution but that we take the details about what has to be in the Resolution out, knowing that we can make that decision when we see the Resolution. They know what we are expecting but what they want is for us to provide a written document that lists the milestones. So the question is, are we comfortable taking out references in that written document to the requirement that we have teeth.

Schiff asked, where is the teeth going to be then?

Morrill said, the teeth will be in the Resolution. I'm not so certain that your milestone document for the applicant needs to contain the teeth. By virtue of extending the commencement deadline, it's generated the need to modify the Resolution which is what we are trying to iron out. What are those modifications going to look like? And that is where the remedy's will be.

Kraft said, we would still have the chance to review the document they sign and if we feel the teeth are inadequate, we can say, sorry, this is inadequate. Cope is on notice as to what we are expecting.

Schiff asked if there were any concerns about where the teeth would be. The EDC will discuss with legal counsel.

Kraft moved on to the next issue saying the current plans are to privately place the natural bond for Widener Stadium with UMB Bank as a privately placed bond issuance. UMB was the entity that bought the bonds for the USOM. If they privately place it directly with UMB, they won't have to hire an underwriter, which saves them some money. There wouldn't be an independent, competitive process to place the bond with UMB. Staff feels that there are enough guardrails around this and it's already been through a competitive process with regard to the USOM, so we didn't think they need to do a huge amount of independent marketing. Staff is bringing this up to get some feedback from the EDC.

Schiff said, I hear why they want to save the money and I recognize there is an efficiency but I also want to make sure that we are respecting, appropriate, transparent, processes and that are supposed to take place.

Morrill will connect with a colleague in regards to this and will get back to staff with guidance.

Palermo said, we had a third party that gave the URA advice on the rates. Our board members go through these items and they've asked the same questions. We also want to feel comfortable with it before anything gets issued as well.

Schiff said, we are not saying there is anything wrong with your process, but we do want to get further advice from counsel before we agree to this.

Kraft moved to the next issue and that is what is the contract between the Sports Authority and Widener Stadium going to look like. Understanding in more depth, who would own the stadium, who would own the land, how the flow of money between the stadium and the city would work. They are planning to bond this revenue stream so it's a bit trickier to shut down or cut it off.

Cope said, the way we see this being structured is that we expect an entity controlled by Widener to own the site. We expect the Sports Authority to own the improvements. We would also expect the Switchbacks to pay the authority a nominal rent for the use of the facility. We would also expect to have some type of a larger commitment that would be in the form of a capital replacement reserve if the stadium would need capital repairs or improvements that funding would be in place. The Switchbacks would be responsible for the operation of the facility and they would receive the proceeds from booking the venue.

The difference between this agreement and the CC agreement is that this will be, not only an operating agreement but it will be a lease, even if lease is not in the title, there would be extra protection that the authority would have to potentially deny them use of the facility if they weren't cooperating with the business plan.

Marshall said, when we discussed this previously, we asked for the same restrictions be put on Widener as they were with the college. You've done a good job being consistent there in terms of compliance.

Kraft asked, is it the opinion of the EDC that having a lease and the ability to deny use and access, is that enough teeth or do we need to have the Sports Authority to have the ability to modify or suspend the payments? Do you have any guidance for Cope in terms of how you're thinking about this?

Marshall said, wasn't the compliance we were looking for with the access?

Schiff said, we were using the funding to require the access.

Marshall asked, but the access was the point?

Schiff said, the point is the programming. The thing that make this unique is the programming so, my concern is saying that the City will own the Stadium doesn't necessarily also obligate the City to require the programming.

Morrill said, like with the Aurora project, the Exhibit B of all the Resolutions that you pass are the unique parameters that you require for each of the projects. There it was down to the number of rooms, the number of parking lots, finishes. Quality so we were getting a Gaylord and not a Motel 6. Baking these unique and extraordinary items into the Resolution is really the challenge and what the statute puts on your shoulders.

Schiff said, and what we are doing for these programs is providing funding to protect them. To me that's what we are responsible for being stewards of is that money that otherwise would go to other important projects the taxpayer would want to have done.

Marshall said, so with CC it looks like the regulatory agent would be the Authority but with Widener it looks like it's the City. Are we thinking to maybe mirror the Authority's ability to do compliance at Widener?

Cope said the purpose of the Sports Authority is to assure compliance of Resolution No. 3. The business plan is included in Resolution No. 3. So that would be a key function of the Authority. The Authority will work with both CC and the Switchbacks, with our Sports Corporation and Convention and Visitors Bureau. We already of a Sports Economy team in Colorado Springs and the function will be to get those venues scheduled. There is no question that the agreement is going to require implementation, cooperation of the business plan. It will be the default agreement if that doesn't happen. What we're trying to get at is what will the remedy be if there is a default. We understand that again, modifying the revenue might be one of the remedies but we want to make sure we can get the financing in place with that remedy. So, we are in agreement but we need to have language that will actually allow us to get the loan as well.

Schiff said, which is a difference between Widener and CC and Robson Arena because they don't have that same funding issue. At the same time, we're facing the same problem because we have to protect the programming and the taxpayer money. We want to connect those two. I'm reacting to the ask that are we okay with the fact that it's the City that will own the facility, to give us comfort around the programming. My concern is that doesn't guarantee the programming which is what we are looking to make sure happens.

Kraft said, one thing I would point out is the incentives may be a little bit different between CC and Widener Stadium because CC has an entire campus and a million different activities and ownership of the facility and there may be lots of ways, in theory, they could use the facility that don't relate to City For Champions. Less opportunity and scope for a football team that is going to use it twenty nights a year. They will have a strong incentive to program and use the stadium to generate revenue. There may be a better alignment in some ways, and some of the concerns D. Brown expressed are less concerns for the structure given who the Switchbacks are versus CC.

Schiff asked, what if a minor league baseball team wants to come in. Maybe it's the steps backward. So you would have, the City who can cancel the lease with the Switchbacks and then the City is now working with the Sports Authority. If the City gets courted by somebody else that would impact the usage of that field for what was the intended programming here, then we need to have an agreement with City that says, you can do that but you're going to lose this.

Schiff asked Cope, does that impact your financing issues?

Cope said, we would have to get that clarified with the lender but the lender is going to be concerned anytime, once they've made the loan, that anything could suspend their revenue.

Schiff said, we will need to take legal counsel on this.

Kraft said, those were the main items we wanted to address with the Commission.

Schiff asked Markey to comment on the meeting with Go NoCO.

Markey said, it was a good meeting, with all of us there to take a fresh look at the projects. There was good conversation. We discussed the guardrails on the project. We talked about flexibility but that the project still needs to meet the criteria of unique and extraordinary.

Kraft said, Go NoCO shared with us, in regard to the Windsor project, specifically building the golf course. They promoted, as the unique and extraordinary, having a televised golf event. In some ways, it put them in a tough situation because they have to physically build a golf course to host this event and golf courses are expensive to build. So staff would recommend some flexibility if they can do a different type of a golf tournament that still brings publicity benefits and such. Even if they put it on another golf course. There are some feasibility challenges though.

Schiff said, I want to highlight some things from that meeting that I didn't really understand previously. For the developer, the space requirements for the televised golf tournament were a potential impediment to reusing an existing golf course. We said well could they have it at Pelican Bay, yes it's a golf course but Pelican Bay doesn't necessarily have the room to have the stands that you need and the board and everything else. The other thing I didn't really understand was, to attract the tournament, the developer would have to come up with a multi-million-dollar purse. That was eye opening.

Kraft talked about the two Loveland projects that are required to be built back-to-back. The White Water Center and the Indoor Water Park of the Rockies. The Indoor Water Park financing is probably easier to do and accomplish but the Outdoor Park is harder. It's a more unique thing. There are very few of them in the world. One thing we learned about that is, the person that is spearheading it, is an Olympic caliber person in the white water industry but not necessarily an experienced developer. One of the things we talked about doing is to bring that developer in here and share some contacts that we have at the state in terms of fund raising and possibly consider encouraging that developer to partner with a more experienced developer. Staff will follow-up with Go NoCO.

Franz 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 Colorado Springs RTA Project. Blumenstein seconded the motion. Motion passed unanimously.

The EDC is now in Executive Session to obtain legal advice from counsel.

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

The EDC is now in Open Session.

Schiff said, we would like to instruct staff to work with legal counsel and Colorado Springs to make a recommendation they can provide to Colorado Springs on the milestones and we want the milestones to reflect the remedy that in the event that there is a failure to comply with the programming requirements



in the business plan, they should understand that we would exercise a remedy of turning down access to the TIF funding. We have also asked staff to reach out to the Colorado Department of Revenue to discuss the disposition of any funds and how that would be treated during any suspension period and what would happen if they were never able to come back into. We are also directing staff to check on the procurement related to the bonding and whether or not there are other state requirements for any competitive bidding process or if there are any exceptions that would fall under. We only need feedback on that informally from staff. There is no need for any resolution.

**D. Rural Jump-Start (RJS): Ken Jensen**

**Company Removals from RJS**

Jensen presented the following Companies for removal from the program saying these Companies were approved by the EDC for participation in the Rural Jump-Start Program, but are no longer operating in Colorado.

Company Name	New Hire Allocation
Colorado Clear	37
Rebco	30
Qmast	50
General Synfuels	30
TSW Analytics	20
Total	167

Staff is requesting a formal motion from the EDC to remove these companies from the program and revoke their New Hire allocation.

M/S/P – Franz, Seaton – The EDC approved removal of the Companies mentioned as presented and recommended by staff.

**Foothills Housing**

Jensen introduced Stewart Moore of Foothills Housing and Robin Brown with Grand Junction EP.

Foothills Housing is a manufacturing company that has developed advanced manufacturing technology to produce affordable modular units for a variety of structures, focusing on hospitality units, townhomes, condominiums, apartments, hotels and military quarters. The factory where these units will be manufactured will be heavily automated, with Computer-Aided Design, Building Information Modeling software, and robotics. The company plans to sell its product to builder-developers and affiliates in its vertical integration program.

Staff has reviewed Foothills Housing’s application, and based on our review, Staff recommends approving Foothills Housing for the Rural Jump-Start program.

M/S/P – Seaton, Clark – Foothills Housing is approved for the Rural Jump-Start program as presented and recommended by staff.

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

**Contribution Project Proposals**

Guram presented the following Contribution Projects Proposals.

EZ – Project Name	Project Type	Completion Date	Project Budget	1 yr. Projected Credits
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Northeast - Community Engagement and Sustainability Project	Capital Campaign: Community Facility	2023	\$135,000	\$8,125
Southeast - Baca County Fairground Improvements	Capital Campaign: Community Facility	2021	\$749,079	\$13,750
Central CO - Cloud City Wheelers	Capital Campaign: Tourist Attraction	2024	\$382,672	\$39,250
NE - Morgan County Economic Development Corporation	Operations: Economic Development	2024	\$98,000	\$24,875
Central CO - St. Vincent's Hospital Foundation	Operations: Healthcare	2024	\$375,000	\$7,500
Larimer - The Fort Collins Rescue Mission	Operations: Homeless Support	2024	\$1,514,698	\$200,000
NE - MCC Center for Arts and Community Enrichment	Operations: Visitor Event/Attraction	2024	\$20,925	\$5,419
South Central - Stonewall Century Ride	Operations: Visitor Event/Attraction	2024	\$10,000	\$1,250
Northwest - STARS Ranch - Organization & Capital Campaign	Operations: Visitor Event/Attraction	2024	\$6,525,000	\$212,500
South Central - Two Peaks Building Expansion	Capital Campaign: Community Facility	2024	\$110,740	\$1,438

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

#### **Strategic Fund Balance Forecast**

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

#### **F. Board Education: Jeff Kraft, Sean Gould**

Kraft recapped for the EDC House Bill 18-1198, Best Practices for Boards and Commissions. We will focus on a program every month.

Kraft and Gould provided training on the creation of the EDC through the Strategic Fund and the Strategic Fund Incentive and Initiative Programs as required by C.R.S. 24-3.7-102.

#### **G. Other: Jeff Kraft**

##### **EDC Budget**

Gould provided an EDC Budget update which shows a current balance of \$5,039,370 available for future projects.

##### **AI Budget**

Hadwiger provided an AI budget update which shows a current balance of \$12,061,995 in remaining funds.

#### **Next Meeting**

The next meeting will be on March 21, 2019.

**With all items discussed, the meeting was adjourned.**