ECONOMIC DEVELOPMENT COMMISSION
MEETING MINUTES
August 15, 2019
8:30 a.m. – 1:30 p.m.

MEETING DATE
August 15, 2019
1600 Broadway, Suite 2500
Denver, CO 80202

MEETING PARTICIPANTS

A. **Commission Members**
Carrie Schiff, Tom Clark, Robert Price, Benita Duran, Chris Franz, Rob Brown, Denise Brown, David Dragoo, Jay Seaton, and Lisa Reeves.

B. **Guests**
Delaney Keating, Brad Dodson, Nikki Holmlund, Robin Hickey, Bob Cope, Don Hunt, Dan Schnepf, Sally Tasker, Duane Boyle, Lena Cazeaux, Stephanie Miller, Turid Nagel-Caseboldt, Lindsay Valdez, Sam Bailey, Rebecca Gillis, Tracey Kraft-Tharp, Amy Beres, Ed Sealover, Ashley Moen, Lucas High, and David Neville.

C. **Staff**
Betsy Markey, Jeff Kraft, Michelle Hadwiger, Sean Gould, Mariel Rodriguez-McGill, Donald Zuckerman, Glenn Plagens, John Kovacs, Sonya Guram, Andrew Wallace, Ken Jensen, Che Sheehan, LeeAnn Morrill, Katie Woslager, Reid Aronstein, Jill McGranahan, Dave Madsen, and Virginia Davis.

DESCISION/ACTION ITEMS

1. The Economic Development Commission approved the Minutes from the July 15, 2019 EDC meeting.

2. The Economic Development Commission approved the following projects/items:

JGITC:	Project Goldfinch; and Project Charlie Brown.
SF:	OEDIT/EDC Administration Funding Request; Project Closer; COFTM SF Funding Request; Employee Ownership Funding Request; and Colorado Microloan Funding Request.
EZ:	SW, VOA Durango Community Shelter & Safe House; DEN, and The Delores Project.
RJS:	Clear Creek County Zone Formation.
RTA:	NWC IGA between City and County of Denver and DURA; and USAFA Commencement.
COFTM:	Project Medusa; and Boardinghouse Reach.

A. Meeting Called to Order

Schiff called the meeting to order.

Kraft and Markey recognized departing Commissioners Price, Clark, and Blumenstein for their work on the EDC.

Meeting Minutes

D. Brown moved approval of the July 17, 2019 EDC meeting Minutes. Franz seconded the motion. Motion passed unanimously.

M/S/P – D. Brown, Franz – July 17, 2019 EDC Minutes approved as presented by staff.

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

Project Goldfinch

Hadwiger presented Project Goldfinch. Project Goldfinch is a publicly traded American bioscience company headquartered in California. As the company expands its production capacities it is looking to diversify its manufacturing footprint across the country. The company is constructing a manufacturing center that will house the company's production for its first commercializable product. All the markets identified for this expansion have been identified as having potent bioscience industry clusters and highly skilled workforces that could support this type of project.

Project Goldfinch is estimated to employ 196 people over the next eight years at an average annual wage of $87,385, which is above the average wage in any of the counties within Colorado the company is considering. These jobs will enable a substantial manufacturing facility and will be spread out across management, engineering, business development, and operations functions.

Staff is requesting $3,652,958 in performance-based JGITC over an 8-year period, 96 months. This incentive is contingent upon: the creation of up to 196 net new full-time jobs at a minimum average annual wage (AAW) equal to or greater than the average annual wage of the county in Colorado in which the project chooses to locate; the maintenance of net-new jobs in Colorado for one full year before any credits become vested; and the creation of at least 20 net new full-time jobs.

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

Project Charlie Brown

Hadwiger presented Project Charlie Brown. Project Charlie Brown is a global, Fortune 500 bioscience company providing innovative healthcare solutions to providers and patients through research and development, commercialization and integration with healthcare providers. The company behind the project currently has four locations comprised of three different business units within Colorado. These locations are not part of the project and will remain in Colorado regardless of the outcome of the project. Project Charlie Brown is considering Colorado to create a campus that will unite multiple business units into one centralized location. This campus will combine four different business units from various areas of the country into one centralized location. Project Charlie Brown is estimated to create 1,000 net new jobs over the next eight years at an average annual wage of $136,721, which is 211% of the average annual wage in the Colorado County in consideration for this project.

Staff is requesting $24,804,469 in performance-based JGITC over an 8-year period, 96 months. The incentive is contingent upon: the creation of up to 1,000 net new full-time jobs at a minimum average annual wage (AAW) equal to or greater than the average annual wage of the county in Colorado in which the project chooses to locate; the maintenance of net-new jobs in Colorado for one full year before any credits become vested; and the creation of at least 20 net new full-time jobs.

M/S/P - Clark, Duran – Project Charlie Brown approved as presented and recommended by staff.

Update of Approved Projects

Hadwiger said Ibotta, approved as Project Rebate, was just valued at over a billion dollars. Bryan Leach has been a great partner to this office and the state and has helped with several recruitment opportunities. I want to publicly congratulate Ibotta and wish them the best of luck as they become the state's first technology company to achieve unicorn status in Colorado.

C. **Strategic Fund (SF): Sean Gould, Jeff Kraft, Michelle Hadwiger, Mariel Rodriguez-McGill, Donald Zuckerman, Betsy Markey, Glenn Plagens, John Kovacs, Ken Jensen, and Delaney Keating**

SF Balance Forecast

Gould presented the Strategic Fund Balance Forecast which shows $4,736,608 available for future projects.

SF OEDIT/EDC Administration Funding Request

Kraft presented the OEDIT/EDC Administration Funding request.

Request Approval from EDC for $600,000 in operational funds for FY 19-20 from Strategic Fund appropriation of $5,000,000 (same request as last two years). This request includes: EDC Meeting Expenses (Travel, Materials, and Food); Salaries and Benefits for ~4.5 FTEs; Proportional Share of Office Services, Supplies, and Lease; and SalesForce.com Licenses and Development.

M/S/P - Duran, Price – EDC Administration funding request approved as presented and recommended by staff.

Project Closer

Hadwiger presented Project Closer. Project Closer is a privately held real estate technology company based in San Francisco that provides a digital loan closing platform for lenders and title and escrow companies. The company behind the project has been simplifying real estate closings for more than six years, and today the company provides the largest title insurance underwriters in the country with a platform integral to their operational, compliance, and consumer experience objectives.

As the company behind Project Closer continues to provide value to the many participants in the real estate process (lenders, title companies, notaries, attorneys, real estate agents, customers) on their single platform, the company is looking to expand the platform to secure their rapidly growing market share. To accommodate the growth of the company, it has decided to open its first location outside of the Bay Area. The company is considering Denver, CO or Salt Lake City, UT for that expansion and will hire 635 new employees over 8 years with average wages of approximately $132,000. This expansion will be a hub for their engineering, customer success, sales, and operation teams. In Colorado, the company would locate in a flexible co-working option in 2019 and then look to secure a permanent office in Downtown Denver.

Staff is requesting $150,000 in a performance-based SF incentive over a 5-year period, 60 months, for the creation of up to 524 net new full-time jobs ($286 per net new job), at a minimum average annual wage (AAW) of $130,918 (189% of the AAW of Denver County's AAW of $68,393). The Net New Jobs must be maintained in Colorado for one full year before any grant payments are made and a $1:$1 local match of incentives by Denver Economic Development and Opportunity that reasonably follows the payout and term structure of the OEDIT incentives and won't result in an under match of OEDIT's payouts.

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

COFTM Program Support

Kraft said, from a process perspective, what staff is requesting is a motion of support for an opportunity to take $1.25M from the SF and move it into the Film Incentive Program. The reason it is a motion of support and not an actual motion for approval is OEDIT is very deferential to the JBC. In the SF Statute it suggests that if you are going to use SF dollars which would otherwise go through the normal budget process that you ask and receive pre approval from the JBC before you do that. What were really doing with this request is to show support the EDC is behind this effort and analysis that COFTM is going to present to you today. If and when we receive approval from the JBC, we will bring this back to the EDC for final approval.

Markey said, we have had discussions with our budget office and we do want to move forward with this request.

D. Brown said, she will support this but would like to see the Governor provide support to bring this programs budget back up to the $3 to $5M range which it was in the past.

Rodriguez-McGill and Zuckerman presented the COFTM Program Support request.

The Office of Economic Development and International Trade respectfully requests that the Economic Development Commission approve an additional $1,250,000 from the Strategic Fund for the Colorado Office of Film, Television and Media's incentive program. COFTM's incentive program received $750,000 General Fund in FY 2017-18 and FY 2018-19, and initial analysis of these two fiscal years demonstrates a steady decline in Colorado spend and Colorado cast and crew hires (see Table 2 on page 4). The Joint Budget Committee voted to continue level funding for FY 2019-20, with limited discussion.

Providing an additional $1,250,000 for COFTM incentives is necessary to retain the local film industry and workforce, attract new productions to the state, and support local film projects, all of which will ultimately encourage economic development across Colorado. COFTM fields inquiries from filmmakers multiple times a week. In FY 2018-19 incentive funds were approved and allocated six months into the fiscal year and the Office is on track to allocate all FY 2019-20 funds by the end of Q1 on projects submitted by in-state companies. Subsequently, the Office has been forced to turn away both out-of-state productions and locally-owned businesses seeking to make films in their home state. These missed opportunities hurt the local workforce and fail to take full advantage of production spend that could help support communities throughout Colorado. Increased funding could support larger projects, which would result in more jobs and a significant raise in production-related expenditures, or it could support a larger number of smaller projects, which would also positively impact the industry by engaging the current workforce and also encouraging greater Colorado spend.

OEDIT requests a one year 'band-aid' of $1,250,000 to add urgent resiliency to Colorado's shrinking film industry. The financial emergency created by lack of funding creates an environment in which COFTM's film incentive program is currently operating below the threshold for a minimal viable program. COFTM staff projects the film incentive program will encumber all current FY2019-20 incentive funds by the end of the first quarter of the fiscal year, after which time they will have to turn projects away until new funds are allocated in July 2020. Colorado finds itself in a unique position given the industry's response to recent legislation passed in Georgia and has the opportunity to capitalize on projects looking to other states with strong incentive programs.

In response to the statutorily required 2017 COFTM performance audit, COFTM has made changes to improve its incentive program and enhance related internal controls. For example, COFTM has implemented new processes to strengthen the incentive application process with a series of formal guidelines. Senate Bill 18-103, which passed the Colorado Senate and House in March 2018, strengthened requirements around COFTM's administration of the incentive program.

M/S/P - Price, Duran – COFTM SF funding request approved as presented and recommended by staff.

Employee Ownership Funding Request
Markey, Plagens, and Kovacs presented the Employee Ownership funding request.

Staff is requesting $750,000 from the EDC Strategic Fund for FY 2019/20. Betsy Markey, Jeff Kraft and John Kovacs briefed the EDC on, the strategic importance of Employee Ownership for the Governor and OEDIT at both the March 21 and April 18, 2019 EDC meetings. During the April 18, 2019 EDC meeting $500,000 was earmarked as a placeholder as part of a larger discussion involving up to a larger potential $1-$1.5mm annual ask. It was agreed we would return with a detailed budget ask at a future meeting. We are now detailing a $750,000 ask that is half the upper-end figure of $1.5M that had been floated at the April 18, 2019 EDC Meeting. With your approval, $750,000 would be immediately encumbered and made available for EON operations.

M/S/P - Price, Duran – Employee Ownership funding request approved as presented and recommend by staff.

Colorado Microloan Funding Request
Kraft and Jensen presented the Colorado Microloan funding request. OEDIT would like to extend the Colorado Microloans Program by funding the existing lenders by an additional $900,000. OEDIT also proposes that a 1:1 match by the lender would be required. Other program requirements would remain largely unchanged. Administratively, the EDC can fund an additional $900,000 without doing another Request For Proposal. OEDIT proposes allocating these funds as follows:

Lender	Previous Funding	Proposed Additional Funding	Total funding if proposal is approved
Colorado Lending Source	$600,000	$200,000	$800,000
First Southwest	$500,000	$200,000	$700,000
Region 9	$1,500,000	$500,000	$2,000,000
Total	$2,600,000	$900,000	$3,500,000

With this additional funding, a new requirement would be implemented that all loans must have a 1:1 match. The effect of this would be that the portion of OEDIT funds in any loan cannot exceed 50%.

OEDIT proposes that the average loan amount (based on the total loan amount, not just the EDC portion) be less than $50,000, with a target of a lower amount if possible. The lenders have indicated that there seems to be greater demand in the $50,000 range than the $30,000 range. OEDIT also notes that a larger loan amount is more likely to spur job creation. In the analysis done in June, the average loan is $82,550, and the average EDC portion is $38,882.

These loans should continue to have a strong rural focus. Right now the program average is 85% rural, and OEDIT would like to see that figure maintained. All three lenders have indicated that this is realistic. Based on the county of the borrower, 100% of the loans by Region 9 and First Southwest have been rural, and Colorado Lending Source is committed to the rural focus of this program.
These loans should be marketed as Colorado Microloans. This means that this phrase should appear on the website, and in any printed literature for the program. All three lenders agree to this condition.

The existing agreement with the lenders states that these loans should be marketed as Colorado Microloans, but this was not stressed, as there was concern about over-marketing this program, as the demand for funds could easily exceed supply. With this new round of funding, there will be greater emphasis on marketing this program.

OEDIT spoke with the lenders on program self-sufficiency. All of the lenders indicated that the current funding is only satisfying a portion of their demand. Sherry Waner at First SouthWest estimates that the current funding satisfies 2% of loan demand; Laura Lewis Marchino at Region 9 estimates 3%.

M/S/P - Seaton, Franz – Colorado Microloan Program extended and funded with an additional $900,000 as presented and recommended by staff.

Startup Colorado Program Update

Keating was unable to make her presentation due to a medical issue. Staff will work to schedule another in-person update to the EDC at a future date.

D. Enterprise Zone (EZ): Sonya Guram

Guram presented the following EZ Contribution projects for approval.

EZ	Project Name	Project Type	Project Category	Comp. Date	Project Budget	1 yr. Proj. Credits
Southwest EZ	VOA Durango Community Shelter & Safe house	Operations	Homeless Support	12/31/2024	$1,102,999	$24,375
Denver EZ	The Delores Project-Shelter Services	Operations	Homeless Support	12/31/2024	$945,130	$61,073.75

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

Kraft said, OEDIT is reviewing the EZ program. The State Legislature is doing a broad review of tax expenditures including the EZ program and its effectiveness. If any of the Commissioners would like to dialogue offline with staff, let us know.

E. Rural Jump-Start (RJS): Ken Jensen

Jensen presented Clear Creek County. Clear Creek County has submitted an application to form a Rural Jump-Start zone. This zone would include all of the unincorporated county, but no municipalities at this time. Clear Creek Economic Development plans to add the municipalities of Idaho Springs, Georgetown, and Empire later in the year. OEDIT endorsed this application.

Clear Creek's Rural Jump-Start strategy is to focus on information technology and cleantech. This focus ties in with Clear Creek's efforts on developing co-working spaces, which ties in with OEDIT's COMP/Rural Worker Outreach effort.

Clear Creek County was approved for participation in the Rural Jump-Start Program (designated as Economically Distressed) under a special request in February 2016. At the time they did not meet three metrics for Economic Distress. In 2016, Clear Creek County was concerned about the closing of the Henderson Mine and intended to use the Rural Jump-Start program to diversify their economy. Since that time, Clear Creek County has not formed a Rural Jump-Start zone. During the review performed in February 2019, OEDIT determined that Clear Creek only met one of the metrics of economic distress.

At the March, 2019 EDC meeting, the EDC passed a motion to allow Clear Creek County to remain eligible for the Rural Jump-Start Program until August 31, 2019, during which time the county must submit an application to form a zone or lose program eligibility.

OEDIT endorses this application because it believes that this is an exceptional situation, and given this request from an economic development partner, OEDIT believes that this situation merits the flexibility that the statue clearly allows.

OEDIT recommends the approval of Clear Creek County for inclusion in the Rural Jump-Start program.

M/S/P - Duran, R. Brown – Clear Creek County was approved to form a zone as presented and recommended by staff. Seaton voted against this request.

F. Colorado Office of Film, Television, and Media (COFTM): Mariel Rodriguez-McGill and Donald Zuckerman

Rodriguez-McGill presented the COFTM Budget which currently shows $365,277 available for pending and future projects.

Project Medusa

Rodriguez-McGill presented Project Medusa. Project Medusa is a proposal for a new interactive game that will involve meaningful storytelling and rich gameplay. Idol Minds is attracting world-class storytellers, artists and writers. Idol Minds is proposing to use its industry-leading motion capture process and pipelines, combined with Colorado acting talent to deliver an enhanced series of games.

The project has a total preliminary Colorado budget of $1,500,000 in qualified local expenditures with 32 total Colorado hires which equals eighty percent of the workforce for this project.

Staff is requesting a rebate of up to $300,000, in support of this project.

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

Boardinghouse Reach

Rodriguez-McGill presented Boardinghouse Reach. Boardinghouse Reach is an animated film that uses the animation technique of rotoscoping. During this process, the animator traces over each frame of the filmed footage to create a realistic-looking animated production. The actors featured in Boardinghouse Reach will be filmed on green screen in the Denver area, and will then be rotoscoped into scenic shots filmed on Colorado's Western Slope. William (Bill) Way, the president and founder of Fit Via Vi Film Production Company is financing the film. Once completed, Boardinghouse Reach will be submitted to high caliber film festivals with a goal of a distribution deal.

The project has a total preliminary budget of $307,345 in qualified local expenditures with 53 total Colorado hires which equals ninety percent of the workforce for this project.

Staff is requesting a rebate of up to $61,469, in support of this project.

M/S/P - Price, Duran – Boardinghouse Reach was approved as presented and recommended by staff.

G. Regional Tourism Act (RTA): Ken Jensen, Jeff Kraft, Che Sheehan, Brad Dodson, Robin Hickey, LeeAnn Morrill, and Dan Schnepf

RTA Program Updates

Jensen provided the RTA program updates.

Project/Element	Key Next Steps	Immediate Items for EDC
UCCS Sports Performance Center	UCCS held its "Topping off" ceremony. See board book for article on the event.	
USAFA Welcome Center	The master lease is anticipated to be released to the State in 2019.	Proposed motion with modification/ clarifications to

		the USAFA Visitor Center in the board book.
Downtown Stadium and Arena	OEDIT staff met with Bob Cope to reconcile letter on milestones for the CSEC Project Element. See board book for most up to date letter.	
Go NoCO (Must Commence by 11/12/20)	NCRTA working to provide audited annual report per statutory requirement. OEDIT staff raised issue at recent meeting with NCRTA.	
Peligrande	OEDIT met with Developer of Peligrande and NCRTA about status and go forward issues (updates coming to EDC)	
National Western Center (Must Commence by 11/12/20)	OEDIT staff working with project on proposal for Commencement of Substantial work which will be presented at a future meeting.	OEDIT staff presenting two motions for EDC approval 1). A motion adding a cumulative Administrative Cost cap. 2). An Intergovernmental agreement between DURA and Denver.

Jensen noted the provided Q2 2019 project reports that have been provided to the EDC in this board book.

Sheehan provided an update on Colorado Springs/C4C Milestones for Commencement.

Colorado College Robson Arena

Milestones Toward Commencement	Expected Documentation	Milestone	Complete?
In the summer of 2018, CC entered into an agreement with the City of Colorado Springs concerning the possibility of building a multi-purpose competitive hockey arena and designating the arena as a part of the City for Champions Colorado Sports and Events Center project.	OEDIT to obtain copy of agreement.	8(i)	Bob Cope to reach out to CC

Colorado Springs Switchbacks Weidner Stadium

Milestones toward Commencement	Expected Documentation	Milestone	Complete?
In November of 2013, the Ragain family signed onto the City for Champions application as a primary tenant by investing $4,000,000 to buy a USL Championship Franchise for the Colorado Springs market, and improve an existing soccer field into a stadium for a temporary home.		1(o)	X
Between September 2014 and December 2018, the Ragain family invested $4,000,000 above operating revenue to establish the franchise, improve the temporary facility, and maintain a Championship level franchise with the need for a long term stadium home as part of the City for Champions stadium project.		2(o)	X
In March of 2018, Switchbacks FC (SFC) and Weidner Apartment Homes (WAH) partnered via of Letter of Intent to propose a combined $60,000,000 mixed-use stadium and complementary housing & retail development at the City Gate property in downtown Colorado Springs. In June 2018, SFC and WAH signed a Letter of Intent to form a new partnership to build the stadium and develop a sustainable business plan for the stadium. In February 2019, a final binding contract was signed.	OEDIT staff to review executed documents and maintain confidentiality of business proprietary information.	3(o)	There is only one Letter of Intent. OEDIT will need to clarify final dates and description for this milestone and 6(o) in final letter
In April of 2018, City Administration endorsed the SFC/WAH proposed plan and began coordination meetings with Colorado College.		4(o)	X
In June 2018, a Stadium Naming Rights Agreement was also secured with WAH.	OEDIT to obtain copy of agreement.	6(o)	Covered in LOI

Omitted		7(o)	
In early 2019, SFC and the design/build team will have completed schematic design.	OEDIT to obtain copy of document.	12(o)	Delayed because design changed

Denver/NWC
Kraft presented the NWC IGA between the City and County of Denver and DURA.

Franz moved, in regard to the National Western Center RTA project, I move that we modify Amended Resolution No. 5 to include a cumulative cap of 1% of the total RTA award equaling $1,214,641 on the reimbursement or payment of Administrative Costs by Dedicated Revenue to the Financing Entity (the Denver Urban Renewal Authority (DURA)) for the Financing Term. If the cap is reached, the Financing Entity and the Applicant may apply to the Commission for an increase in the cap for good cause.

The EDC directs OEDIT staff and the Attorney General to return at a Commission meeting in the near future with a draft written amendment to resolution No. 5 implementing this motion. This shall be reviewed and considered for approval by the EDC at such future meeting but this cumulative cap takes immediate effect upon approval of this motion.

The modification in this motion shall be adopted into a written Resolution by the EDC nunc pro tunc at a later meeting.

Price seconded the motion. Motion passed unanimously.

M/S/P – Franz, Price – Modification to Resolution No. 5 approved as presented and recommended by staff.

Franz moved that we approve the inter-governmental agreement presented in the Board Book between the Applicant and the Financing Entity, as satisfaction for section 5 (H) (ii) of Amended Resolution No. 5 based on the prior adoption of the immediately preceding motion regarding the cumulative cap on Administrative Costs.

Price seconded the motion. Motion passed unanimously.

M/S/P – Franz, Price – Intergovernmental Agreement between the City and County of Denver and DURA approved as presented and recommended by staff.

H. Other: Ken Jensen, Sean Gould, Katie Woslager, and Carrie Schiff
Transferrable Tax Credit (TTC)
Jensen presented the TTC program update. In this fiscal year, the EDC has the authority to issue the final $10 million in precertifications. If the projects for Evraz and VF Corporation proceed as planned, Evraz will receive a precertification of $6.9 million this fiscal year (for a total of $17 million), and VF Corporation will receive a precertification of $3.1 million this fiscal year (for a total of $13 million). These two precertifications total $30 million, which is the statutory maximum.

OEDIT met with VF Corporation in early August, where they indicated that the company has signed the lease on the property in Lodo, and that they believe that signing this lease, along with other investments, satisfies the Strategic Capital Investment requirement. Unfortunately, VF Corporation was not able to provide detailed written information on the lease terms and investment amounts at this meeting. When

OEDIT has this information, it will be brought to the EDC for confirmation that the Strategic Capital Investment has been made.

Project 5000 (Evraz) needs to complete an engineering study before they can make a determination as to whether to commit to their project. Their goal is to finish this engineering study by December of 2019, then present the study to their board for the "Go/No Go" decision, which is expected in early 2019.

EDC Budget

Gould presented the EDC Budget which shows $5,226,608 in current available funds for projects.

I. Regional Tourism Act (RTA): Jeff Kraft, LeeAnn Morrill, Bob Cope, Don Hunt, Dan Schnepf, Sally Tasker, Duane Boyle, David Neville

Colorado Springs/USAFA

Kraft said, we are working to put all the pieces in place and gain alignment for the USAFA Visitor Center to move forward and Commencement Substantial Work before this year is over. They are in their one-year extension period. At the last EDC meeting the EDC approved a few changes to that project. This meeting is about how we demonstrate to the AFA team, what they need to achieve to get a Commencement of Substantial Work.

Staff has a proposed Motion for the board to discuss, review to get them to that place. What I would say, is time is of the essence and we've all been working hard to get this Motion socialized and taking account those things that will get this project moving. We are doing this as a Motion that would revise the amendment because there are some technical things that would need to change in the Resolution that will allow for the financing structure that is being proposed.

Schnepf said, the partners that are working on the project are moving together nicely. There is not a lot to say relative to the project in terms of its technical track. I would give one caution and that would be that in this very late economic cycle the cost of labor and materials are rising rapidly. Predicting those things for a construction project that is going to happen in two years is about like throwing a dart at the wall. As the market cools off pricing gets better from a material and labor point of view and we can probably see that over the next year or two. We are challenged mostly by the fact that pricing is going up rapidly. Having said that, I wanted to talk about the different tracks. We are working very closely with our partner, the AFA, who is the sponsor of the enhanced use lease. It is our obligation to build the core and shell of this building and work closely with our partners. The AF has no ability to commit funds today for any obligation that isn't in this fiscal year. There has never been a discussion with the AF that lines that out. There has been a moral obligation and certainly a heartfelt desire to have this Visitor Center. When we deliver it, there is about zero risk that it's not going to be completed. The trouble here is that there is a conflicting goal. You are trying to get some certainty behind what is viewed by you as a risk, and the AF is doing what they have to do, which is not obligate or commit the AF to any funds until the FY in which they would be expended. Now I'm going to change my hat, as an AF Endowment member, at our last meeting, I was the Capitol Committee Chair. I stepped down to do this project. I'm still on the Capitol Committee. We have already talked about raising money for this project in the CY 2021. The AFA Endowment is committed to doing that. Further my AFA class year is 1983 and we've dedicated out class commitment for a gift to this project which ranges on any given year between $1M to $3M. We are not concerned about where the money can come from. The AF can also get appropriated funds if the Commander, the Superintendent of the Academy, can do that. At this point they have not committed to do that. But because of the moral obligation and all of the money that is being spent we don't believe there is great risk to you in delivering the Academy Visitors Center. To be clear, the AFA is the recipient and owner of the facility and the contract that I'm negotiating is with AFCEC.

Boyle said, they received a copy of the Motion yesterday afternoon and had two hours to actually review it. We have some concerns about some of the wording in the motion and we want to have time to run that through our legal channels and do our due diligence.

Kraft asked, how the FF&E was described in the RFQ that was responded to by Blue & Silver Development.

Schnepf said, he brought the Exhibit from the RFQ and it clearly says that we are not responsible for FF&E and that the AFA is. In the "Other Requirements" section it says "the proposed Lessee is not required to provide displays, equipment, and furnishings for the Visitor Center Facility

Boyle said the AFA is in complete agreement with that information. We are working toward getting that done but we cannot commit money until the FY we actually purchase that.

Kraft said, at one point the lease, which we all understand has not been finalized yet, there was language in the proposed lease saying that the AFCEC would provide the FF&E.

Schnepf said, that in AFCEC's language there has been at least four versions of this lease and a term sheet before that. The AFA is in review of that document. The language in the lease has never been challenged but that doesn't mean that it couldn't be challenged.

Kraft said, so the AFA may say that language is fine but they may say it's not. There is some uncertainty that language will stay in the final lease?

Boyle said, there could be some different wording that says something else.

Schnepf said, they will likely propose some language that says "at the discretion of the Superintendent of the AFA and in accordance with the RFQ", as it relates to the FF&E. That sentence that I gave you is in the lease document that we sent to the AF.

Morrill asked what does that language allow.

Kraft read 8. (d) of the proposed Motion the focus is on.

> the Project Element Developer enters into a written site development lease with the United States of America, acting through the Secretary of the Air Force (the "Air Force"), in which the Air Force agrees, among other things, to lease the Project Element site to the Project Element Developer, and that includes a provision where the Air Force agrees to pay for and construct or install any furniture, fixtures, exhibits, equipment, or other tenant improvements in Project Element, and a copy of such executed site development lease is delivered to the Commission;

Kraft said, the question is, will the final lease satisfy this requirement. I think there is some uncertainty about that because we don't have the final lease and AFCEC has not weighed in on that final language.

Schiff asked, so part of the issue is timing. If this was in the right FY, this language would likely not be problematic?

Boyle said, as long as the appropriate funds are available.

Schiff said, so that's the key. We are all running on the assumption that the funds would be available. But the issue is that by December 16, 2019 these things are supposed to be true which our date is for Commencement.

Boyle said, we can't commit funds for future years.

Morrill said, the issue here is timing for the Commission as well. Commencement deadline for this project is December 16th of this year. Once the project has deemed Commenced by the Commission they have locked in funding subject to a later completion date, the final completion date for each project element that is different, the recourse that the Commission has between those two dates and after the second, the final completion date, gets considerably less under the RTA. It sounds like what's going to happen here is they are going to want to Commence without having to guarantee the funds will be appropriated. I understand legally that may not be possible for the AF to do, but then it comes back to the Commission and what is there recourse. Because at the same time they are getting a request from the financing entity, the applicant, and the Bid who will be issuing the Big B Bonds to say that you won't turn off or down the MEAP after they have commenced under any circumstances. That becomes one of your few tools in your tool box to ensure that you not only get the shell of a visitor center but you get a kitted out visitor center that people actually want to visit.

D. Brown asked, does the endowment exist within the AF structure or outside?

Schnepf said, it's outside. It's a 501c3.

D. Brown asked, if the endowment would agree to back-up the FF&E if the AF doesn't come up with it?

Schnepf said, not at this time. We have a $265M campaign that is underway right now and this will be one of the donor eligible projects. They can't commit until donations have been made.

Boyle said, if we have some time to review the language and run it through proper channels, we may be able to come back with some wording that would satisfy the requirement.

Tasker said, we wanted to make sure we structured this transaction the way it is in the motion, and some it wasn't contemplated by the original Resolution, that we could comfortably go to the market saying this is our structure. Once we issue these bonds and meet the conditions we have substantially commenced. We have this source of revenue and the only way we lose this revenue is if we don't complete the project by this date. That is the rationale behind this motion. To bring some certainty to the market. If the project is not completed and there is money left over, $7M or more, we'll call in mandatory redemption $7M worth of bonds. And then you can cut off your funding. So, if you don't get what you are bargaining for, which is a completed Visitor Center, by the date that is in the Resolution. If all $60M has been spent on the project, the bond holders are expecting that the revenue they bought the bonds on will stay outstanding. So the clawback is if we haven't gotten to the point where we're spending money. Currently there is no clawback on what happens if the bid delivers the shell and the Air Force doesn't put the FF&E in. We don't have that clawback. If we hold back $7M until the Air Force committed, that would give you some protection. You would have to be careful by holding that money back you are not delaying finalizing the Visitor Center.

Kraft said, today I have not heard anything that saying they will not put their responsibility in the lease, that is still to be determined. If they put their responsibility in the lease, the Resolution would be satisfied. One option would be to approve this Motion and see if the AFA can comply. If they can't this is just one path to Commencement. That doesn't mean they can't come back and say we do have a problem with this and can we try something else.

Morrill reminded the Commission that when we are dealing with project where we are relying on the applicant or the financing entity and in this case the project element developer which is a defined term under Resolution No., to enter a lease with a party who is not subject to the Commission's direction and control by virtue of the RTA, that lease, those terms are very important. So when I hear words like, we may put a provision in the lease saying "at the discretion of the Secretary of the AF, we agree today to do the FF&EE in the future". That, to me, is a weak lease. To D. Brown's point of having a backstop with the endowment or the option made by Tasker saying we can put $7M in escrow, I think those are things you should consider seriously because even if you move forward today, if the parties walk away and understand that they can put something in their lease that says there is exit and no cost to get out of the FF&EE obligation, that's not good for us.

Schiff asked the Commissioners if they want to pursue a conversation with legal counsel in executive session.

Seaton moved pursuant to Colorado Revised Statutes Section 24-6-402(3)(a)(II), I move that we go into executive session with our attorney for the purpose of receiving legal advice about the Colorado Springs USAFA RTA project. Franz seconded the motion. Motion passed unanimously.

The EDC is now in Executive Session.

Clark moved we exit Executive Session. Franz seconded the motion. Motion passed unanimously.

The EDC is now in Open Session.

Kraft reviewed some sections of the proposed Motions saying, the construction of the building that houses the Visitor Center and the related construction that will serve both the Visitor Center and the other commercial element on site are going to be financed from proceeds from three series of bonds. So you will hear us refer to the Series A, B, and C bonds. These are Big B bonds under the terms of the Resolution. They will be issues by the AFA Visitor Center Improvement District, the Bid. The financing entity, CSURA, plans to enter into a pledge agreement with the Bid and pledge the dedicated RTA revenue to those bonds. They will pledge that revenue to Series A, B, and C bonds. The A and C bonds are expected to finance eligible costs of infrastructure and the B Bonds are going to be for the building that houses the Visitor Center by itself.

The Series A, B, and C Bonds are expected to be issued in the approximate aggregate principal amount of $65,185,000.00, with at least $25 million in net proceeds from the Series B Bonds being used to pay for the design and construction of the physical building that houses the Visitor's Center and approximately $16 million in net proceeds from the Series A and C Bonds being used to pay for infrastructure Eligible Improvements. However, different funding sources are still being explored to fund the project and the amount of the Series A, B, and C Bonds actually issued may be reduced accordingly.

The Project Element Developer and the BID will develop the physical building in which the Project Element will be housed and related infrastructure Eligible Improvements, and the United States Air Force ("Air Force") will pay for and construct or install all of the furniture, fixtures, equipment, and exhibitions (FFE&E) needed to operate the Project Element. The Air Force is planning to spend approximately $8 million from an operating budget of estimated to be $130 million on this FFE&E and will own and operate the completed Visitor's Center. The Project Element Developer has explained that the federal

Antideficiency Act makes it unlawful for the federal government to obligate funds (in this case $8 million) before the fiscal year in which the funds will be expended. Additionally, it is a requirement for the federal government to sequester 125% of the requested funds for the obligation in the fiscal year in which the funds will be expended. In this case, the Project Element Developer is planning to complete and deliver a useable physical building in which the Project Element will be housed by June of 2023 to enable the Air Force to install FFE&E and other tenant improvements with a total cost of not less than $8 million.

Kraft asked Schnepf if the Developer's requirement is just to build the shell or will it include any finishes, like plumbing.

Schnepf said, specifically, we have to get a Certificate of Occupancy.

Kraft moved through the other items of the proposed Motion.

Morrill said, based on what we learned late yesterday and today before we went into executive session, OEDIT staff and counsel on recommending a modification to Paragraph 8 D of the Motion which would change it so that it reads exactly the same as everything that is currently in there, up to and including, halfway through the second to last sentence so the change would start after the words "project element," and then it would read from there as follows:

> "and a final draft of such site development lease is delivered to the Commission by September 16, 2019 for its review and express approval before it is executed by the Project Element Developer and the Air Force"

Schiff asked if there was a motion to approve the Written Motion as modified by Morrill.

Franz moved approval of the written motion as modified by Morrill. Seaton, seconded the motion.

Schiff said, just for clarity the reason we picked that date is we have a meeting 3 days later. We are facing as you are facing a drop dead date in December. If we can't approve Commencement by December 16th it's done so we need this to be accelerated.

Schnepf said, this body is important to the project but is not a party to the lease so what is the purpose of the draft?

Schiff said, so we can review the actual language in the lease and make sure it conforms to what we stated here in subparagraph D.

Morrill said, to be real explicit, if you deliver a final draft of the lease that has an out where the discretion of the Superintendent of the AF, the obligation to pay for the FFEE is really non-existent, that will not check the Commencement of Substantial Work deadline box for the Commission. So then, you will have to propose something different. This is so you all can figure out whether you can get a binding obligation with the AF by September 16, 2019. And of the answer to that is no, you are welcomed to come back and pitch to us a different road map to Commencement.

Schnepf said, before he leaves here today, he can say that he is not going to get that binding obligation.

Schiff said, and we want you to know that we want to hear from you what the solution to that is. If we need to have an interim emergency meeting to hear what that is, we are open to that. We want you to be successful but based on what our responsibilities are as fiduciaries, this is where we are today. We anticipate that you may need to come back to us and we are here to listen.

Schnepf said, since we are focused on the FF&E and the lease is complicated and long, can we put in the language that it will be a component of the lease that will be submitted.

Schiff said, I don't know if it matters. We will want to review the full lease but we will be focused on this point.

Morrill said, it's hard to do a legal review of a document without having the whole document and I wouldn't advise that. The representations today are that the lease has undergone extensive drafting and negotiations by the parties. It doesn't seem like it would be that difficult for you to meet this requirement. The greater point is that you are telling us with certainty that as you sit here today, you can't get this agreement from the AF and that's a problem because that's what this motion was built around. An agreement from the AF to pay for the FFEE and that's why we put it in the motion the way we did. This was not equivocal to us that we were getting this agreement before December 16, 2019. And now we're hearing that it is definitely equivocal for the AF. So you're probably going to need a different road map for Commencement.

After further discussion, Schiff called for a vote.

M/S/P – Franz, Seaton – Modified Written Motion approved as Modified and read by Morrill.

AI Budget
Woslager presented the AI Budget which shows $5,741,932 in current available funds for future projects.

Next EDC Meeting
September 19, 2019.

With all items discussed, the meeting was adjourned.