

## ECONOMIC DEVELOPMENT COMMISSION

### MEETING MINUTES

December 19, 2019

8:30 a.m. – 11:30 a.m.

#### MEETING DATE

December 19, 2019

1600 Broadway, Suite 2500

Denver, CO 80202

#### MEETING PARTICIPANTS

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

Carrie Schiff, Rob Brown, Chris Franz, Becky Takeda-Tinker, Blake Jones, Wendell Pryor, Jandel Allen-Davis, Gretchen Wahl, Jay Seaton, David Dragoo, and Benita Duran.

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

Aldo Svaldi, Neal Kaufman, Rebecca Gillis, Lucas High, Ed Sealover, Lance Project Spoke, Wendy Madsen, Joe with Project Circular, David with Project Mt. Evans, Brian with Project Spoke, Graham with Project Spoke. Sarah Murphy, Chris Shaphard, Ryan with Project Virtual, Sandy Head, Jonathan Ballesteros, Brad Dodson, Nikki Holmlund, Tykus Holloway, Grace Hanover, Jocelyn Hittle, Robin Hickey, Justin Vause, Sarah Crosthwaite, and Maureen Stepp.

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

Betsy Markey, Jeff Kraft, Sean Gould, Sonya Guram, Andrew Wallace, Ken Jensen, David Madsen, Nikki Maloney, Reid Aronstein, Max Nathanson, Leslie Hylton, Courtney Marshall, Katie Woslager, Rama Haris, Glenn Plagens, and Virginia Davis.

#### DECISION/ACTION ITEMS

1. The Economic Development Commission approved the Minutes from the November 12 and November 21, 2019 EDC meetings.
2. The Economic Development Commission approved the following projects/items:

<b>JGITC:</b>	Project Mt. Evans, Project Circular, Project Pinwheel, Project Virtual, and Project Pike.
<b>SF:</b>	Project Spoke.
<b>AI:</b>	FY20 CSU Allocations, and FY20 CU Allocations.
<b>EZ:</b>	NM - Center for Integrated Manufacturing; CC - Chaffee County Habitat Housing; SM - Craig Hospital Foundation; DEN - Metro Caring; R10 - Ouray Ranch Museum; PUE - Pueblo Zoo; and PUE - Sangre De Cristo Arts Center.
<b>RJS:</b>	Geyser Technologies.
<b>CCS:</b>	Contract with CHFA.

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

Schiff called the meeting to order.

##### **Meeting Minutes**

Takeda-Tinker moved approval of the November 12, and 21, 2019 EDC meeting Minutes. Duran seconded the motion. Motion passed unanimously.

M/S/P – Takeda-Tinker, Duran – November 12, and 21, 2019 EDC Minutes approved as presented by staff.

##### **B. Job Growth Incentive Tax Credit (JGITC): Sean Gould**

### **Project Mt. Evans**

Aronstein presented Project Evans. The company behind Project Mt. Evans is a clinical stage biotechnology company whose primary operations are currently in Colorado. In addition to Colorado, the company also employs a small number of individuals in Japan and Israel. The company has recently developed a new cellular based treatment to treat infectious diseases and cancer. As part of an effort to bring the company's new treatment to market in 2022, the company intends to build a new manufacturing facility in which the treatment will be produced. The new facility will, between tenant improvements, machinery, and equipment, entail a capital investment of nearly \$21 million.

This project supports the state's economic goals for several reasons. In addition to providing support for a company founded and based in Colorado, this project would create 40 high paying jobs while simultaneously bolstering innovation and density in Colorado's Biotechnology industry. All of these elements increase our ability to attract, grow, and retain biotech companies in Colorado.

Staff is requesting \$522,067 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 40 net new jobs over the next eight years at an average annual wage equal to or greater than the average annual wage of the county the project chooses to locate, the maintenance of net-new jobs in Colorado for one full year before any credits become vested; before any credits are issued, the company must create and maintain at least 20 net new full-time jobs.

M/S/P – Duran, Franz – Project Mt. Evans was approved as presented and recommended by staff.

### **Project Circular**

Aronstein presented Project Circular. Project Circular is an early stage, Colorado-based Company that is considering building and operating a new Waste Resource Conversion facility in Colorado. The company behind Project Circular has developed and patented a Waste Resource Conversion system that would convert waste into baseload energy using a pyrolysis system. The company would collect Municipal Solid Waste and used tires from five surrounding counties, which would then be used as feedstock for the pyrolysis system.

While not a renewable energy resource, pyrolysis of MSW provides environmental benefits by reducing the amount of waste that ends up in landfills. For this reason, the Colorado General Assembly classified electricity generated from 'synthetic gas produced by pyrolysis of municipal solid waste' (MSW) as eligible for Colorado's Renewable Energy Standard (RES) if the project is greenhouse gas neutral."

Staff is requesting \$745,722 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 52 net new jobs over the next eight years at an average annual wage equal to or greater than the average annual wage of the county the project chooses to locate, the maintenance of net-new jobs in Colorado for one full year before any credits become vested; before any credits are issued, the company must create and maintain at least 20 net new full-time jobs.

Schiff asked is this project could have been eligible for the RJS program.

Aronstein said staff has not discussed the RJS program with this company, although we have heard from a number of people that pyrolysis technologies have been pursued in other capacities throughout the state by other companies so if we did entertain that conversation there would need to be a competitive consideration with other companies.

Jones said, it sounds like its net greenhouse gas positive. Is Ft. Morgan aware of what other pollution there might be and are they concerned with it.

Crosthwaite said, we have done our research behind the technology of this company and what they are looking to do and we are confident that it will be environmentally friendly.

Brown asked if the solid waste product will be generated and consumed there in Morgan County or do you have to import solid waste in. If so, is the Colorado Department of Health on board with that storage.

Joe with Project Circular said, Morgan County does not have enough waste. This is a five rural county, so we would be towing all the waste from those counties. It would come in, be processed, and recycled. We would then create the fuel pallet off of that. Basically you would have five county landfills that would no longer be burying trash.

Brown asked where the syngas created would be consumed.

Joe with Project Circular said it is consumed in a gas turbine.

Brown asked if the company has had a conversation with the Colorado Department of Health.

Joe with Project Circular said, yes.

Wahl said, the financials provided had some unusual things in it. Did staff investigate that?

Kraft said, one thing that is unique about something like this is your normally betting on a company and their general business model but this is a project finance scenario. Our financial review standard is very modest in comparison to what a bank might do. These incentives are designed in a way to be favorable to the state. We don't pay any incentives until a year after the net new jobs are grown and maintained. What that means is, these jobs have already started delivering sales and income tax revenue to the state coffers. That's when we give a tax credit. We want to make sure that it is a viable company and that there is a reasonable pathway to success but we are not underwriting it the way a bank would because we are not providing anything up front.

M/S/P – Takeda-Tinker, Duran – Project Circular approved as presented and recommended by staff.

### **Project Pinwheel**

Nathanson presented Project Pinwheel. Project Pinwheel is a technology company that is considering expanding its presence in Colorado. The company behind Project Pinwheel is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. The company's services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve demand/supply planning, procurement and sourcing, logistics and warehousing, and reverse logistics business performance. The company is one of the fastest growing and highest-rated global providers of Oracle and SAP third-party support.

The company behind Project Pinwheel is comparing/evaluating its existing locations to establish an operations center to accommodate the forecasted future growth of its business being driven by increased market share worldwide. Project Pinwheel is comprised of technical engineering, sales, and marketing roles.

Staff is requesting \$3,034,801 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of 241 net new jobs over the next eight years at an average annual wage equal to or greater than the average annual wage of the county the project chooses to locate, the maintenance of net-new jobs in Colorado for one full year before any credits become vested; before any credits are issued, the company must create and maintain at least 20 net new full-time jobs.

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

### **Project Virtual**

Nathanson presented Project Virtual. Project Virtual is a Canadian technology company that is considering expanding its presence in Colorado. The company behind Project Virtual builds transformational software for Global 1000 companies to give them a competitive edge. The company utilizes in-house expertise in artificial intelligence, augmented and virtual reality, blockchain, robotics, gaming and IoT to create cloud, web, mobile, machine, and advanced-interface solutions.

The company behind Project Virtual is evaluating multiple markets in which to establish an "Advanced Technology Center" to house engineering and sales functions to support the growth of the company. The need for this expansion is driven by strong growth projections and the necessity to capture skilled engineering and sales talent. Project Virtual is comprised of a variety of technical engineering, business development, human resources, IT, executive, and administrative roles.

Staff is requesting \$12,653,162 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 715 net new jobs over the next eight years at an average annual wage equal to or greater than the average annual wage of the county the project chooses to locate, the maintenance of net-new jobs in Colorado for one full year before any credits become vested; before any credits are issued, the company must create and maintain at least 20 net new full-time jobs.

Schiff called for a motion.

Duran moved approval of Project Virtual. Franz seconded the motion.

Franz said, they recently built an advanced technology center in another city, what supports 715 jobs? It seems large for that kind of build out. Did that other center prove out that it was hiring 715 people?

Brian with Project Spoke said that the numbers in the presentation are off. The application was for 500 jobs.

Schiff said, so what should we be looking at. Is it 500 or 715?

Kraft said the EDC can adjust this incentive on the fly. One thing that we do when we talk to these companies is we ask them to be as realistic as possible when they do their forecast to us, because if there are more jobs in play, we can offer more incentive. They do have to perform to earn it so if it is a little off, they only get it if they earn it.

Nathanson and Gould pulled up the application materials for this project and the company did say 715 jobs. If it would be useful, we can go back to the company and clarify and bring this project back to the EDC next month.

Franz asked, if we were to approve it as written and then you would write the contract. In the negotiations of writing that contract the company tells you that their top-end of job creation is 500, can you then write the contract with that in it. Do you have that discretion?

Kraft said, if you approve it at a maximum of what was asked here but subject to recalculation based on a revised employment plan and it would be proportionally lower, the EDC can give staff the flexibility to do that math and we can contract at a lower rate.

Dragoo amended the motion for approval of the project at a maximum of 715, based on the paperwork provided and the request that was submitted subject to recalculation based on a revised employment plan from the company, and that the number would get reduced pro rata, in accordance with the proposal. Duran seconded the motion. Motion passed unanimously.

M/S/P – Dragoo, Duran – Project Virtual approved contingent upon a recalculation of a resubmitted employment plan from the company.

Brown said, it does speak to the credit of the company that they did note the job number at 500 versus 715. This is positive.

Schiff said, it also speaks to the credit of staff that they confirmed the paperwork provided by the company did say 715 jobs.

### **Project Pike**

Nathanson presented Project Pike. Project Pike is an infrastructure services company that is considering expanding its presence in Colorado. The company behind Project Pike deploys a concrete cooling technology to support a range of construction functions. The company behind Project Pike is evaluating multiple markets in which to expand its production capacity in order to support the growth of the company. The need for this expansion is driven by strong growth projections and the necessity to capture skilled engineering and sales talent. Project Pike is comprised of a variety of technical engineering, business development, research and development, and management roles.

Staff is requesting \$771,788 in performance-based Job Growth Incentive Tax Credits over an 8-year period. This incentive is contingent upon the creation of up to 57 net new jobs over the next eight years at an average annual wage equal to or greater than the average annual wage of the county the project chooses to locate, the maintenance of net-new jobs in Colorado for one full year before any credits become vested; before any credits are issued, the company must create and maintain at least 20 net new full-time jobs.

M/S/P – Takeda-Tinker, Franz – Project Pike was approved as presented and recommended by staff.

### **Update of Approved Projects**

Nathanson said, Salesforce.com approved in April of this year for a JGITC in the amount of \$5,737,500 for the creation of 250 net new full-time jobs, has chosen Colorado for their expansion.

### **C. Strategic Fund (SF): Sean Gould, Max Nathanson**

#### **SF Balance Forecast**

Gould provided the SF Balance Forecast which shows \$4,822,605 in projected available funds.

### **Project Spoke**

Nathanson presented Project Spoke. Project Spoke is a bicycle manufacturer that is considering relocating its headquarters to Colorado. The company behind Project Spoke is a Washington-based manufacturer and online seller of mountain biking frames and components. Its products are manufactured in Taiwan and sold worldwide.

Project Spoke would involve the creation of 20 net new full-time jobs in Colorado with an average annual wage of \$47,750 (111% of the Mesa County average annual wage). The jobs supported by Project Spoke are expected to include a full range of corporate headquarter functions. Colorado is competing with Utah and Idaho for Project Spoke. Within Colorado, the company is considering the City of Fruita.

Project Spoke has been a joint collaboration between OEDIT and the Grand Junction Economic Partnership (GJEP) which has provided above the required \$1:\$1 local match as required by the Strategic Fund incentive. GJEP is providing up to \$62,500 in local matching, job creation incentives. Project Spoke is eligible for a maximum of \$60,000 in State matching funds from the Strategic Fund.

Staff is requesting \$60,000 in a performance-based Strategic Fund incentive over a 5-year period, 60 months, is requested from the EDC at \$3,000/NNJ.

This incentive is contingent upon:

- The creation of up to 20 net new permanent full-time jobs at a minimum average annual wage (AAW) of \$47,333 (110% of the Mesa County average annual wage).
  - Or a payout of \$2,500/NNJ for the creation of up to 20 NNJs if the AAW is at least \$43,033 (100% of the Mesa County average annual wage at the end of 5 year term).
- The Net New Jobs must be maintained in Colorado for one full year before any grant payments are made.
- \$1:\$1 local match of incentives by the Grand Junction Economic Partnership and/or grants from other community partners that match the payout and term structure of the OEDIT incentives and won't result in the possibility of a claw back by the community partners and an under match of OEDIT's payouts.

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

**D. Advanced Industries**

**AI Budget**

Woslager presented the AI Budget which shows \$13,975,399 in remaining funds.

**FY20 CSU Allocation Projects**

Wosalger presented the following CSU and CU Allocation projects for final approval.

Industry	TTO	Principal Investigator	Request	Matching Funds
Bioscience	CSU	Kathryn Wotman	\$71,500	\$33,333 Poudre Canyon Therapeutics
Bioscience	CSU	Christina Puttlitz	\$75,000	\$100,000 CSU Internal Funds
Bioscience	CU	Rafael Piestun	\$93,750	\$31,250 CU Internal Funds
Bioscience	CU	Roy Parker	\$93,750	\$31,250 CU Internal Funds
Bioscience	CU	Xuedong Liu	\$93,750	\$31,250 CU Internal Funds
Bioscience	CU	Sara Sawyer	\$72,681	\$52,318 CU Internal Funds
Electronics	CU	Zach Newman/Scott Papp	\$93,735	\$31,250 CU Internal Funds
Energy, Natural Resources, Cleantech	CU	Ivan Smalyukh	\$93,750	\$31,250 CU Internal Funds
Technology and Information	CU	Alireza Vahid	\$87,909	\$29,303 CU Internal Funds

M/S/P – Franz, Duran - AI FY20 CSU and CU Allocations approved as presented and recommended by staff.

**E. Enterprise Zones: Andrew Wallace**

**Contribution Project Proposals**

Wallace presented the following Contribution Projects for approval.

Enterprise Zone	Project Name	Project Type	Project Category	Completion Date	Project Budget	1 yr. Projected Credits
North Metro	Center for Integrated Manufacturing	Capital	Community Facility	12/31/2021	\$8,000,000	\$525,000
Central Co	Chaffee County Habitat Housing	Capital	Workforce Housing	12/31/2024		
South Metro	Craig Hospital Foundation	Operations	Visitor Event/Attraction	12/31/2023	1,866,676	\$375,000
Denver	Metro Caring	Operations	Job Training	12/31/2024	\$190,202	\$37,500
Region 10	Ouray Ranch Museum	Capital	Tourism	12/31/2024	\$1,500,000	\$2,500
Pueblo	Pueblo Zoo	Operations	Visitor Event/Attraction	12/31/2023	\$2,117,690	\$9,375
Pueblo	Sangre De Cristo Arts Center	Operations	Visitor Event/Attraction	12/31/2024	\$2,750,000	\$5,125
				TOTAL	\$17,174,568	\$1,004,500

M/S/P – Duran, Brown – EZ Contribution Projects approved as presented and recommended by staff. Allen-Davis recused from the Craig Hospital project vote and Pryor recused from the Chaffee County Habitat for Humanity vote.

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

**Geyser Technologies**

Jensen presented Geyser Technologies. Geyser Technologies is a company located in Houston, Texas transitioning to Montrose Colorado that designs and manufactures water optimizing products using a patented dispersion and pumping algorithm. Their flagship product is a hot, portable shower using less than 1 gallon of water, marketed to the outdoor recreation industry. This product is being launched in REI stores in the Spring of 2020.

OEDIT has concluded that Geyser Technologies passes all metrics for participation in the Rural Jump-Start program, and therefore recommends approving Geyser Technologies for participation in the Rural Jump-Start program.

M/S/P – Brown, Takeda-Tinker – Geyser Technologies approved as presented and recommended by staff. Dragoo recused himself from the vote on this project.

Duran asked for a status report on previously approved projects.

Kraft said their annual reports will begin coming in next month so we can give you a detailed update in the first quarter.

Staff will follow-up.

**G. Regional Tourism Act (RTA): Ken Jensen, Jeff Kraft**

Jensen presented the RTA Program report.

Project/Element	Planned Opening Date (or other summary info)	Key Next Steps	Immediate Items for EDC
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<b>Pueblo-PBR University</b>	Opened	Determine what ongoing reporting is needed. Meeting with Pueblo to discuss a potential modification to the settlement agreement and resolution was cancelled due to bad weather. Meeting is currently being rescheduled for mid to late January.	
<b>UCCS Sports Performance Center</b>	Opening 2019/2020 (construction began October 2018)		Review certification of construction spending for 12/31/19 deadline. More documents to follow at next EDC Meeting to reach 16.87M requirement.
<b>USFA Welcome Center</b>	Changed from red to green with yellow border per 11/21/19 EDC meeting where commencement was approved	Hit required March 31, 2020 milestones: <ol style="list-style-type: none"> <li>1. Financing Entity enters into pledge agreement with the BID</li> <li>2. BID issues bond with net proceeds of at least \$60M</li> <li>3. The net proceed of the series B bond total at least \$25M</li> <li>4. Project Element Developer enter into sublease agreement</li> <li>5. Fully executed GMP for general contractor</li> </ol>	
<b>Downtown Stadium and Arena</b>	Changed from yellow to green per receiving the remaining milestones demonstrating commencement	All Remaining Milestones received (see board book) per the 11/12/2019 EDC motion the project has now commenced substantial work.	

### Colorado Springs/C4C

Jensen and Kraft presented the following information regarding UCCS Cost Certifications.

Last fall, the EDC declared that the UCCS project element of the Colorado Springs City for Champions RTA Project had commenced substantial work, with the stipulation that the project was required to certify \$16.87 million in eligible costs by October 31, 2019. The financing entity has submitted, and their independent CPA has certified, that this amount has been expended. This was done in four tranches, detailed in the table below table.

Certification Date	Certification Amount
June 26, 2019	\$3,372,331.97
June 18, 2019	\$2,499,063.50
July 30, 2019	\$3,557,429.29
November 11, 2019	\$7,441,175.24
Total \$16,870,000.00	

Staff is not requesting action on this. This is a follow-up only. Is there any questions.

Hearing none, staff moved to the next item.

### Denver/NWC

Holloway and Dodson provided an update of the NWC Project which touched on the following items.

#### Phases I & II Program Overview

- Project Overview
- NWC Site Plan
- Program Status Report
- Actions and Milestones

#### Phases I & II Procurements & Construction Update

- Procurement Update
- Construction Activity

NWC Initiatives

- Workforce Update
- Energy Update
- 2020 Stock Show Preparations

Partner Updates

- CSU
- WSSA
- Initiatives

RTA

Dedicated Revenues received by the Financing Entity (DURA) as of October 2019: \$150,213.65. None of these dedicated revenues have been used to reimburse eligible costs for any portion of the project.

**H. Colorado Cash Collateral**

**Employee Ownership**

Plagens provided an update of the EO Program progress.

Establishing the Commission on Employee Ownership	April 10, 2019
EDC Budget Earmark	April 2019
Employee Ownership Network Developed	May 2019
Appointees Named	June 25, 2019
First Employee Ownership Commission Meeting	July, 31 2019
Governor's EO Round Table #1 - Legal	Oct 29, 2019
Governor's EO Round Table #2 - Legal	Dec 3, 2019
EO Loan Fund	Dec TBD
EO Mini Grant	Dec-Jan TBD
Full EO Update to the EDC	Feb 2020
Governor's EO Round Table - CO Bankers Association	Feb 4, 2020
Governor's EO Round Table - Accountants	May 2020

OEDIT is working to expand employee ownership. One of the goals is to engage no fewer than 1000 businesses through the EO by the end of the fiscal year.

**CCS Program**

Maloney and Kraft presented the CCS program information. Cash Collateral Support (CCS) is designed to help small and medium sized businesses access capital that would otherwise be unavailable due to collateral shortfalls. Lenders can apply for up to 25 percent of the loan amount or \$250,000, whichever is less, in collateral support to strengthen small business loan applications. The maximum loan size that CCS supports is \$10 million, and the business borrower must have fewer than 750 employees at the time of the financing.

Pryor said, the timeframe is too short to get it out and completed in rural areas and he thinks the goal should have another 6 months.

Plagens said, he thinks the goal is obtainable by the end of this year.

Brown asked how many loans the \$100,000 represents.

Kraft said it represents 10 loans.

Kraft reminded the EDC that this is a trial program.

Staff is requesting the EDC approve the contract amendment with CHFA for the six month pilot program.

M/S/P – Takeda-Tinker, Jones – Contract amendment approved as presented and recommended by staff.

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

Jensen introduced Maureen Stepp who will provide an overview of her Ph.D. Dissertation which was on the RJS program.

##### **Ph.D. Dissertation**

Stepp presented her Ph.D. Dissertation on the RJS Program. Maureen Stepp, the Assistant Dean of Instruction for Business and IT at Colorado Mountain College, has recently completed her Ph.D. dissertation, which is an evaluation of the Rural Jump-Start program. Dr. Stepp has agreed to present her dissertation to the EDC. A copy of the dissertation follows.

In addition to a review of Rural Jump-Start, Dr. Stepp makes a number of recommendations for the Program, some of which are in the process of being implemented. Her recommendations are in chapter 5, page 67 of the dissertation.

The EDC thanked Stepp for the presentation and the recommendations and applauded the work done on the Dissertation.

#### **J. Other: Ken Jensen, Sean Gould**

##### **Transferrable Tax Credits**

Jensen provided an update of the TTC program. 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 is currently working with VF Corporation to establish that the requirement to make a Strategic Capital Investment of \$100 million has been met. When OEDIT has this documentation, it will be brought to the EDC for confirmation.

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. On Aug 22, Ken talked to Evraz. They confirmed that they expect to be able to announce the go/no-go decision in early 2020.

##### **EDC Budget**

Gould provided a budget update which a balance of \$5,972,605 in remaining funds for future projects.

##### **Next EDC Meeting**

January 16, 2020.

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