

ECONOMIC DEVELOPMENT COMMISSION

MEETING MINUTES

August 20, 2020

8:30 a.m. – 12:00 p.m.

MEETING DATE

August 20, 2020

Virtual Meeting

MEETING PARTICIPANTS

A. Commission Members

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

B. Guests

Bob Cope, Candace Payne, Cathy Schulte, David Neville, Erin Krueger, JoAnne Greek, Jesse Hope, John Cullen, Kathleen Cronan, Lisa Harper, Madeline Williams, Max Walker-Silverman, Michael Burke, Mustafa Al-Shawaf, Patrick Waldron, Rachel Lyons, Sara Lobato, Sherry Hoffman, Tiffany Pehl, Tricia Allen, Wally Wallace, Aldo Svaldi, and Ed Sealover.

C. Staff

Betsy Markey, Jeff Kraft, Sean Gould, Ken Jensen, Jill McGranahan, Che Sheehan, Tad Johnson, Andrea Blankenship, Sonya Guram, Kelly Baug, Donald Zuckerman, Margaret Hunt, and Virginia Davis.

DECISION/ACTION ITEMS

1. The Economic Development Commission approved the Minutes from the July 16, 2020 EDC Meeting Minutes.
2. The Economic Development Commission approved the following projects/items

EZ:	Adams – Village Exchange Center; DEN - Earthlinks Inc.; NW – Clear Creek Co. Collaborative Health Center; EC – Dream Centers of COS; EC – Chambers Orchestra of the Springs; and Boundary Amendments.
COFTM:	Cow Hip Films, LLC.

A. Meeting Called to Order

Schiff called the meeting to order.

Meeting Minutes

Duran moved approval of the July 16, 2020 EDC meeting minutes. Franz seconded the motion. Motion passed unanimously.

M/S/P - Duran, Franz – July 16, 2020 minutes approved as presented by staff.

B. Strategic Fund Initiative (SFI): Sean Gould, Wally Wallace, Margaret Hunt Space to Create Update

Gould, went over the work an update on the Trinidad Space to Create project.

At the December 2018 EDC meeting the board approved \$100,000 in Strategic Fund Initiative money for “Last-In” funding for the Artspace “Base Build” of the Space To Create Trinidad project and an additional \$300,000 to complete the Commercial Build portion of the project. OEDIT contracted with Artspace and paid them \$100,000 on 6/18/20. The Base Build is complete and the Certificate of Occupancy was issued and residents/artists are moving in.

Staff is currently working on the contract for the Commercial Build. The city and their architects have a three phase budget of which EDC funds will go towards completing phases one and two which will complete the commercial spaces and open up Main St. Phase three will follow, and will complete the “garage” area which is attached to and in addition to the Commercial Build. To which, the City is committed and finalizing the fund raising for that effort.

Hunt provided some background on the Space To Create program saying in 2015 the program was conceived specifically to help rural communities with economic resiliency and recovery at a time when the front range was booming but our rural communities were not seeing the job and population growth that the front range was seeing. Trinidad was selected as the demonstration project because at the time they had a sixty-eight percent vacancy rate in their historic downtown. We’ve seen an amazing turnaround since the announcement of the project and we’ve seen many investors come in and acquire buildings and put them into use.

Wallace said we have been working with the architects and the Space To Create Commons oversight board to create an in-depth business plan of what we’d like to use the space for. Activating the entire front half of this building as soon as possible with retail space, putting in a kitchen and hoping to put in a café or coffee shop in there. We have been courting a few businesses for this purpose. We are ready to move forward. We as a City have put in \$577,000 dollars into this portion of the project so far. We are committed to putting more into it to make it as amazing and successful a project as possible for us to demonstrate what the state and private partnerships with a city like ours can do to activate main streets and really rejuvenate a community.

We are also putting together a business development plan which will model portions of this space as a business incubator model to allow entrepreneurs and businesses to come in and try out a model and see if it will work in this community with support from the City. We are working with a local to develop a co-working space within the facility that will be connected to the creative district office and with the overall community space of the building. I will be moving my office there next month. We are working on finalizing our broadband and WiFi infrastructure in the building. Staff and I will be going in to help activate it and make it clear that we are ready to do business.

Schiff asked to see some up to date photos as a follow-up.

**C. Enterprise Zone (EZ): Sonya Guram
EZ Contribution Projects**

Wallace presented the following EZ Contribution Project Proposals for approval.

EZ	Project Name	Type	Category	Completion Date	Budget	1 yr. Proj. Credits
Adams	Village Exchange Center- The Village Farm at Stanley Market Place	Operations	Job Training	12/31/2025	\$6,335,888	\$97,500
Denver	EarthLink’s shelter	Operations	Homeless Support	12/31/2025	\$657,000	\$42,500

Northwest	Clear Creek County Collaborative Health Center	Capital Campaign	Community Facility	12/31/2025	\$7,100,000	\$25,000
Pikes Peak	Dream Centers' Mary's Home	Operations	Homeless Support	12/31/2025	\$840,040	\$37,500
Pikes Peak	Chamber Orchestra of the Springs	Operations	Visitor Event/Attraction	12/31/2025	\$30,000	\$5,625
					\$14,962,928	\$208,125

M/S/P – Duran, Pryor – EZ Contribution projects approved as presented and recommended by staff.

Boundary Amendments

Guram presented the following boundary amendments.

Enterprise Zone Administrators are provided the opportunity to evaluate areas within their EZ boundaries each year and request amendments thereto. Our practice has been to present these requests to the Commission annually. Limiting modifications to the boundaries to once a year help us manage map and system updates. Eligibility metrics are released by the Census Bureau each December – these are from the American Community Survey 5-year estimates (the latest release covers 2014-2018) and provide per capita income, population, and unemployment rates down to the block group geographic area. OEDIT staff extract data for Colorado, and following the statutory requirements, determine the eligibility of geographic areas from counties to block groups. The zone administrators and their partners can then evaluate the data to assess areas for inclusion or deletion. Population is a limiting factor for each statutory enterprise zone – urban areas may have 115,000 and rural areas up to 150,000 in population. When new areas are proposed, current population figures for both the existing and newly proposed areas are summed to ensure compliance with this statutory requirement.

The Jefferson County EZ administration would like to add 6 block groups to its Enterprise Zone. They have identified qualifying areas with opportunities for revitalization, and adding or supporting primary employers. All 6 of these areas have been targeted by economic development specialists as prime locations for future business expansion that will uplift the community around them. Each of these areas qualifies with a high unemployment rate; some are also experiencing population loss. These additions put the population within the EZ at just under 110,000 – within the 115,000 limit for an urban Enterprise Zone.

The Mesa County EZ proposes an addition to a block group where a new library is being developed for the town of Clifton. An EZ Contribution Project for the capital campaign was approved by the Commission in September of 2019 and became active in January of this year. The project received approval based on the eligibility of the census tract in which the library will be located and was approved prior to its being within an EZ to support the fund-raising time-line for the facility. Construction was planned to begin in 2020 with completion in 2021. The project approval included a requirement that the area would be added to the Mesa County EZ at the next opportunity to amend the boundary. When the project was proposed, the eligibility data showed the area qualified based on both its low population growth rate and high unemployment rate. Typically, we like to see areas in urban EZs qualify based on either a high unemployment rate or low per capita income. The proposed census block did meet the criteria for its high unemployment rate when the EZ Contribution Project was presented in September of 2019. New qualifying metrics released in December 2019 have the census tract and specific block group meeting only the population growth rate criteria. Though within an urban EZ based on the population of Mesa County, the town of Clifton is characterized as rural – for this particular circumstance staff supports EZ designation

of this block group; it does meet at least one of the criteria and thus the statutory requirements. With this addition, the Mesa County EZ will have a total population under 105,000 and remain within the 115,000 population limit for an urban EZ.

Pikes Peak EZ is proposing an amendment that will add 6 areas (1 Census block group and 5 blocks) to the EZ. From their proposal, one can see that the new areas are in close proximity to and complement existing EZ areas. They have identified specific opportunities for these that align with their economic development goals that have been outlined for the whole Pikes Peak EZ. One of the areas proposed aligns with a previously approved contribution project for family housing that was passed in late 2019 with the intent that the area would be added to the EZ. Other proposed areas also align with contribution project efforts, while one is focused on revitalizing a primary employer business corridor. Each of these meets the criteria for EZ eligibility having either a high unemployment rate or low per capita income. Additionally, some of the areas are experiencing a decline in population. With these additions the total population of the Pikes Peak EZ will be less than 83,000, well within the population limit of 115,000 for an urban Enterprise Zone. The Weld County EZ wishes to expand to include a block group where Greeley Area Habitat for Humanity plans to add workforce housing. The area is adjacent to existing EZ and qualifies based on per capita income. The addition of this area will put the Weld County EZ population at 113,472 and will allow for an EZ Contribution project proposal to support a capital campaign for the development.

OEDIT's Executive Director is supportive of these proposals as they are targeted in nature for specific projects and developments. Furthermore, they are small additions which will not increase the size of the enterprise zone by a significant amount. We recommend that at this time it is both fiscally responsible and appropriate to add these areas to the 4 different enterprise zones that are requesting boundary amendments.

M/S/P – Duran, Dragoo – Boundary Amendments approved as presented and recommended by staff.

**D. Colorado Office of Film, Television, and Media: Kelly Baug, Donald Zuckerman
Cow Hip Films, LLC – So This Is What The Songs Are All About**

Baug presented *So This Is What The Songs Are All About*. Cow Hip Films LLC, a Colorado limited liability company, was founded by director Max Walker-Silverman and is dedicated to producing soulful regional films for the prestige global marketplace. Max is a writer and filmmaker from San Miguel County.

So This Is What the Songs Are All About is “a lonely love story, with jokes.” It is an independent feature film about two old childhood sweethearts, both widowed, who share a night by a lake in the Colorado Mountains and features a small cast of quirky characters. It's a homespun and whimsical romance about what love is for those who have no one to share it with. Production for this film is expected to take place in September and October 2020 at a reservoir near Norwood, Colorado. Cow Hip Films will seek acquisition of the film on the festival circuit, aiming for Sundance 2021.

The project has a total preliminary Colorado budget of \$340,000. Payroll spend: \$130,000; Vendor spend: \$210,000; CO Crew hires: 10; CO Cast hires: 7; Total CO hires: 17.

Staff is requesting a rebate of \$68,000 which will result in a 20% rebate for this project.

M/S/P – Pryor, Seaton - *So This Is What The Songs Are All About* approved as presented and recommended by staff.

COFTM Budget

Baug provided a budget update which shows a current available balance of 574,786.00 after the current project approval.

E. Regional Tourism Act (RTA): Ken Jensen, Che Sheehan, Jeff Kraft

RTA Program Update

Jensen provided the following RTA Program Update.

Aurora – They are opened. They have taken a hit to their revenue as shown on the graph provided. Nothing to report at this time for Gaylord.

Pueblo – They are fully opened. Nothing to report on this project at this time.

Colorado Springs – The USOM had their grand opening recently. Bob Cope is here today to provide an update.

Go NoCO – John Cullen is here today to provide an update on the Stanley. OEDIT has been working closely with the original analyst on the financial model. We have had conversations about the combing of the Hotel Waterpark and the Whitewater Adventure Park and changes to the square footages that we discussed with the EDC a few months ago. We are working to wrap things up so we have something to bring to the EDC soon.

Denver – They have commenced. We had our quarterly meeting with them and everything is going good. There is nothing to report at this time.

Colorado Springs/City For Champions

USOM

Sheehan provided an update of the USOM Grand Opening and played a video clip that Governor Polis did for the Grand Opening of the USOM.

Cope said UCCS is open and operational. They are having a virtual ribbon cutting tomorrow. That project is exceeding expectations. Weidner Stadium and Robson Arena are on track and scheduled to open in the fall of next year. In time for their anchor sports to commence. Just like the other projects, the budgets have been enhanced on these two. They keep adding amenities and art elements. These downtown projects are catalyzing development already. We have about \$50M worth of streetscape improvements including the bridge. Che showed some of those pictures of that bridge sitting in the American The Beautiful Park. That bridge will be robotically moved into place at the end of September. That bridge will be an attraction on its own. We expect to have much more private sector development in the vicinity of the museum in the not too distant future.

I also wanted to share some data I just received. For the week ending August 15th Colorado Springs hospitality market led the nation with 51% occupancy. For the weekend ending August 15th Colorado Springs hospitality market led the nation with 93% occupancy. Focusing back on net new out of state visitors, I think we're well on track to fulfilling the vision that we all had and we have some hard data already to support that.

USAFA Funding Status Update

Cope said it is a three-prong approach on the strategy. Currently we're right in the middle of an effort to get specific language put into the CARES Act, which I believe now is going to be called the HEROES Act that would specifically allow for the fed or the treasury to purchase the bonds. We've had tremendous support from Senator Gardner and Congressman Lamborn but also from senators and congress people from other states that have connections to the AFA that are very supportive. The language has been drafted and the senators are waiting for the opportunity to have it inserted and hopefully that Act will pass and the language will survive and be in the final legislation.

The other two strategies would be a private placement or negotiated sale of the bonds. We have been working on some credit enhancement of those bonds. Credit enhancement would make it more attractive both in a private placement or a sale in the open market. Some of the largest investors in the country had shown interest in those bonds prior to March 10th. Now that the market is stabilizing, RBC is engaging those same investors. We've also seen additional interest from other lenders that participated in other City For Champion projects. In the event we are unable to have these bonds privately placed, we are preparing to have those bonds on the open market like we did earlier this year. We did have demand for those bonds. If the market continues to stabilize as it is now, we believe in the October time frame that we can sell those bonds on the open market. The dedicated and talented finance team is working diligently on this and we are confident that it will happen.

All of the dates in the timeline will slide back a month or two. We had anticipated the CARES Act funding would have already been passed with language allowing treasury to purchase these bonds. Since that has not happened we're looking at September 15th at the earliest for that. The critical dates though are that we get bonds issued by the end of this year which is part of what the EDC agreed to and that's also included in the site development lease with the USAFA.

Cope thanked the OEDIT team and the EDC for the partnership and support.

Stanley Film Center

Cullen said the Stanley is back up and operating going from 0% percent occupancy to 72% as of yesterday. It has been one of the hardest challenges I've experienced in my 25 years of ownership of the hotel. Doing it with 139 bodies less than last year. I myself cleaned rooms. I am the working as the chief engineer. The first phase of the SFC which is the Carriage House restoration, and the utilities and infrastructure that goes with it. We put in over a quarter mile of sewer pipes in the last two months. We've spent about \$4.5 M in the last four months and are well on the way to spending \$8M by the end of Halloween, in all reality means end of year in today's construction schedules. The building looks great. We decided to pick up the entire building, move it aside build a basement in it that wasn't done originally. The town requires we have foundations for that building regardless of its historic nature. So at great expense, we picked it up, moved it about 300 feet away, dug a basement down 20 feet and put the building back together again. In that basement we moved a lot of the infrastructure and theaters for the actual film center below the building and that gives us scale of mass and consolidates people in the interim there and so we now have a 120 seat secret theater underneath the Carriage House. That was actually planned to go into Phase 2. We have a series of performers out of Los Angeles that have relocated to the Colorado Rockies and we now have a handful of performers that are doing performances nightly in the main building in preparation for starting in the Carriage House as early as Christmas. We put in the latest video and audio equipment in the space so we can do film screenings in the space. We have adapted to today's world of COVID by putting in a next generation vertical air conditioning system. We are in full motion here.

Kraft pointed to some of the construction photos provided that indicates the work John just talked about. I want to stress, from an OEDIT staff perspective, the very strong and good faith efforts that are going forward at the Stanley Hotel to do tremendous investments that are fully consistent with the Film Center project. There is a lot of effort and progress being made even in the time of COVID, which is commendable and shows a real continuing vision and persistence to try and get the SFC project done.

Schiff thanked John for the update.

Whitewater Park and Hotel

Sheehan said we received from P3 Partners the re-envisioned family entertainment center. As you may remember the P3 Partners have proposed reducing the size of the family entertainment center by 50% going from 20,000 sf to 10,000 sf. In doing so, they are envisioning better ways to utilize the space other than mini golf, bowling and a typical arcade and instead bringing in some new features and the best technology that they can to really utilize the space much more efficiently. Some of the things they are talking about bringing in are a climbing wall, a play area for smaller children, e-gaming with computer set-ups, escape rooms, virtual reality ride game.

Staff has been working closely with P3 Partners and the original applicant economist Mike Anderson to rebuild the model and plug in some of these different assumptions that deviate from what they had originally had proposed in the application.

Kraft said we're actually talking about what was originally called the Indoor Waterpark Hotel of the Rockies and the Colorado Whitewater Adventure Park. The EDC had said the Whitewater Adventure Park was unique and extraordinary but the Indoor Waterpark was not so you have to make sure the financing for the two project occurred concurrently or the Outdoor Adventure Whitewater Park had to move forward for the Indoor Waterpark Hotel to move forward. Now a new developer has come along and said we like that idea so we're going to build them both so there's no chance we would get one without the other and we like that concept. It makes sense economically. The developer has said when they do this project, they are going to change some of the elements of the project. And although some elements will change, it is still unique and extraordinary because that key element was the Outdoor Whitewater Adventure Park, which they are still going to build.

The developer has been engaged. The City of Loveland has as well. They have reengaged their original economist Mike Anderson who has a model now where we can change the assumptions and see how that would affect the decision you made five years ago. We've spent a lot of time reviewing and understanding the model.

Our goal is to have a special meeting, which has tentatively been scheduled for August 31st, and come to the board, per your instructions, and say here are some different assumptions that might make sense given the changes in the project and here is how that affects the revenue. We are trying to get that data analysis as tight as possible before we come to you which gives you a logical record on which you can make a decision if you want to change your award.

Staff will provide more information on this and will make sure we confer with legal counsel before any decisions are made at that Special meeting.

Schiff asked if the Peligrande was not moving forward.

Kraft said the clock is not over and they can always figure out a way to move forward but basically the developer has told us that their interests have evolved and shifted into other projects. This was told to us face to face. We've heard no other updates since then. In all practical terms I do believe that project will not move forward and they won't ask for an extension. There is still some time left on the clock and they have the right to use that full time to commence. Things can change.

RTA Project Q2 2020 Project Reports

Sheehan provided all the quarterly reports from the projects which were all submitted on time and included all of the necessary reporting information. If you have questions on any of those, please reach out to me directly.

F. Transferrable Tax Credit

Jensen provided a TTC program update.

Status update for EVRAZ

EVRAZ has announced that they intend to build the rail facility in Pueblo. This was announced on August 6th, and has been reported in the Pueblo Chieftain (following). Total improvements are expected to be \$480 million. The project is expected to encompass 1,000 jobs, some new and some retained.

The EDC has approved a Job Growth Incentive Tax Credit award for \$2.8 million. IN addition, the project is also expected to generate \$14.25 million in Enterprise Zone credits. Through this program, the company has the right to transfer \$17 million of these credits in the next 10 years, provided all program requirements are met. At this point, none of these credits have been earned, and so no credits have been transferred.

Status update of VF Corp

VF Corporation is currently executing on their project to move their corporate headquarters to LoDo in Downtown Denver. The next step for VF Corporation is to provide an audit opinion from an independent CPA that the lease they signed fulfills the statutory requirement for the Strategic Capital Investment. Once this audit opinion is received, OEDIT will bring this to the EDC to formally acknowledge that the Strategic Capital Investment has been made.

EVRAZ

Al-Shawaf said in late June the EVRAZ PLC board formally approved the execution phase of this project, the final step in our capital project development process. This board decision authorizes us to advance the project to its construction. The board of director's approval was disclosed to investors on August 6th, when I and other EVRAZ representatives also shared that information with OEDIT staff and other project stakeholders.

As you recall, EVRAZ is one of the leading manufacturers of rail that enable efficient transportation of people and goods across North America. This project will enable EVRAZ to manufacture rail up to 320 feet in length. Longer rail lengths reduce the number of welds needed to join pieces of rail together over hundreds of miles of railroads. With fewer welds, the risk of weld failure is greatly reduced which in turn improves rail network safety and efficiency. Our project team in Pueblo continues to work on preparations for construction and we hope to share additional details on the project later this Fall.

Consistent with our application, we expect approximately 200 employees, to be employed as part of the project after full ramp up. Separately, we have an agreement with the City of Pueblo which includes

maintaining 1000 jobs at our Pueblo site. As we have discussed before, this rail mill investment secures the future of the Pueblo site and the jobs the still mill supports today. We estimate hundreds of additional jobs during the new rail mills construction phase. As you know, in conjunction with this project, last September, we announced our partnership with Light Source BP and Xcel Energy to make EVRAZ Pueblo the first still mill in North America to rely on solar power. Light Source BP announced this month that they will be starting on the solar project this Fall, of which construction will create hundreds of additional jobs.

We are happy to see this project moving forward and thank you and all our partners for their continued support.

Schiff said this is fantastic news and thank you on behalf of the Commission. It's great for Pueblo and the State and it's wonderful to see this program being used in this way. Thank you for coming today to supply this update.

Brown said I am curious about the supply chain side. It seems like that is going to be a significant enhancement in job opportunities there as well. What are your thoughts about that?

Al-Shawaf said the construction is quite extensive and so there will be many jobs associated with that both actual construction jobs and then transportation of the necessary materials. Additionally we'll require more raw materials as we ramp up, which will be supplied from scrap producers in and out of state. In addition to other raw materials that we use, alloys and the like. I don't know about the exact multiplier effect. I can't really comment on that specifically but we expect to support additional jobs throughout the economy.

Kraft said we think about this from an economic perspective there is a lot of circular supply chain activity that happens within EVRAZ but then I would say critically important to Colorado on sort of a statewide basis, EVRAZ is the heavy manufacturing anchor in Pueblo and there is a whole eco system that supports that then spills over and supports other companies that probably wouldn't exist if we didn't have EVRAZ there. So EVRAZ's presence, for example, allowed us to recruit Vestas Towers into Pueblo and by the way Vestas as an entity has operations in Northern Colorado as well. So the recruitment of Vestas really does tie back to the manufacturing eco system in Pueblo that is anchored by EVRAZ, the Community College support for manufacturing, the workforce, and the innovative training solutions that have been developed out of the Community College system. It enhances Colorado's ability to become competitive for substantial heavy manufacturing products and other manufacturers in Pueblo that know there is a workforce and training system, a lot of that ties back to that historical anchor of Colorado fuel and iron.

This is a huge win. The transferrable tax credits was critical in this recruitment because we offered EVRAZ our EZ Investment Tax credits for their capital investment as well as some job growth tax credits, but EVRAZ was coming out of the last recession with a lot of built up operating losses. Those tax credits really didn't have a lot of value to EVRAZ. So if they weren't able to monetize that through a transferrable tax credits we would not have had a viable incentive package to help us stay competitive. We looked at the net present value of Colorado versus other places and how do we help close gaps with transferrable tax credits. Still very small given the scale of investments. That transferrable tax credits was critical for EVRAZ and was also critical for securing the headquarters for VF Corp. That program is expired because we couldn't get it done during the COVID crisis and budget constraints but it's something we want to keep our eye on because these types of generational opportunities for billion dollar investments or fortune 500 headquarters. If we can use a small amount of transferrable tax credits to achieve those types of gains, it's a tremendous opportunity.

Board Education: Ken Jensen

Jensen provided training on the TTC program as required by C.R.S. 24-3.7-102.

G. Other

EDC Budget

Gould provided the EDC Budget Update which shows an available balance of \$1,052,208 remaining for FY20. We did get the \$5M appropriation. Once state accounting completes the fiscal year closing, we will show approximately \$6M in unencumbered funds available for future projects.

AI Budget

Schiff said Katie is unable to make this meeting but supplied the AI budget which shows no update. If you have questions, reach out to Katie directly.

Next EDC Meeting

The next EDC meeting will be on August 31, 2020 for the special meeting and September 17, 2020 for the regular board meeting. They will both be virtual.

With all items discussed, the meeting was adjourned.