

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team
at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**.

****All fields must be completed.****

Incomplete request forms will be returned to sender which may cause a delay in processing.

Date of Request: 11/23/2015

Please mark one: Bill Request or Resolution Request

1. Has your agency submitted this request in the last 12 months?

Yes No

If yes, please explain:

2. **Title:** *(Include a concise, one sentence description – please include name of company or contractor and contract control number - that clearly indicates the type of request: grant acceptance, contract execution, amendment, municipal code change, supplemental request, etc.)* Approves a City Business Incentive Fund (BIF) contract with United Airlines covering a ten-year period in the amount of \$4 million, beginning with the firm renovating its existing Flight Training Facility at 7500 E 35th Ave in Stapleton and consolidating all its flight training equipment and personnel to Denver, an expansion that will represent a significant increase in the city's collection of business personal property taxes due to the ultimate use of approximately 28 flight simulators on the site (each valued between \$20-\$40 million).

3. **Requesting Agency:** Office of Economic Development

4. **Contact Person:** *(With actual knowledge of proposed ordinance/resolution.)*

- **Name:** Susan Liehe
- **Phone:** 720-913-1689
- **Email:** susan.liehe@denvergov.org

5. **Contact Person:** *(With actual knowledge of proposed ordinance/resolution who will present the item at Mayor-Council and who will be available for first and second reading, if necessary.)*

- **Name:** Jeff Romine
- **Phone:** 720-913-1626
- **Email:** jeff.romine@denvergov.org

6. **General description of proposed ordinance including contract scope of work if applicable:**

Approves a City Business Incentive Fund (BIF) contract with United Airlines, covering a ten-year period, in the amount of \$4 million. The company will be renovating its existing Flight Training Facility at 7500 E 35th Ave in Stapleton and consolidating all its flight training equipment and personnel to Denver, an expansion that will represent a significant increase in the city's collection of business personal property taxes due to the ultimate use of approximately 28 flight simulators on the site (each valued between \$20-\$40 million). This consolidation by United Airlines also preserves 300 local flight training personnel and adds 250 more, among many additional indirect economic benefits to the area.

****Please complete the following fields:** *(Incomplete fields may result in a delay in processing. If a field is not applicable, please enter N/A for that field.)*

- a. **Contract Control Number:** OEDEV- 201524354-00
- b. **Duration:** October 1, 2015 – September 30, 2025
- c. **Location:**
- d. **Affected Council District:** Citywide
- e. **Benefits:** Business Incentive Fund (BIF)
- f. **Costs:** \$4,000,000.00

7. Is there any controversy surrounding this ordinance? No.

To be completed by Mayor's Legislative Team:

SIRE Tracking Number: _____

Date Entered: _____

EXECUTIVE SUMMARY

The Business Incentive Fund (BIF) is a significant and unique tool for the Denver Office of Economic Development (OED), used to provide support that directly sustains and grows the local economy. As a competitive incentive employed by OED, the BIF is one of the city's approaches to recruit and retain business activity that creates local jobs and/or revenue. This fund has existed in its present form for more than 12 years. In recent budgeting cycles, the City has allocated \$1.2 million annually for this purpose through the General Fund.

On behalf of the City, OED will make a small number of strategic incentive investment offers a year. The Mayor and CFO are directly involved in final incentive decisions based on recommendations and calculations presented by OED, and City Council approval is sought for all contracts larger than \$500,000. Calculations are intentionally conservative and based only on direct economic and fiscal benefit, even though each project often brings significant indirect benefits to the economy; an important standard for Denver to extend such an incentive is that the direct fiscal benefit dollars can be estimated to return to the City on at least a 2:1 ratio over a defined period—generally not more than 10 years.

All funds are dispersed only on performance. Every negotiated incentive offer is unique and each has a defined criteria and payout terms, which link directly both to the business decisions and the direct fiscal benefit to the city. While job creation is a primary goal of such incentives, the nature of the business may dictate a different measurable factor upon which incentive funds are dispersed.

The proposed \$4 million incentive through the Business Incentive Fund to **United Airlines** relates to the firm's decision to consolidate its flight training operations in Denver. Our 10-year incentive contract is based on OED's estimated \$9.5-\$10 million direct economic benefit that this expansion will bring to Denver. The project will begin with an estimated \$40 million+ renovation of the existing flight training facility on Quebec St.; this 250,000 sq ft operation has been in place for approximately 25 years. The renovated site's effectiveness will be enhanced by the opening of the A rail line connecting Denver to DIA in Spring 2016.

United's 12,000 pilots will each be visiting the Denver training facility every 9-12 months for a four day, five night stay, which brings significant indirect economic benefits to the area through the hotel accommodations as well as per diem expenses of the pilots in area restaurants. As noted previously, the existing 300 jobs on the site will be saved through this expansion, with an increase of 250 additional, predominantly high-paying training personnel (these roles are generally senior pilots).

It is the company's placement and activation of an estimated 28 individual flight simulators in the renovated space that is the specific performance measurable upon which the City's incentive funds will be dispersed, probably in 3-4 phases as the renovations/placements are completed.

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