

Office of Economic Development – 2014 Supplemental Budget Request



Business Attraction and Retention

Business Incentive Fund Program Overview

ESTABLISHED IN 2005

BUILD A STRONG, SUSTAINABLE ECONOMY THROUGH STRATEGIC BUSINESS SUPPORT

- Quality Jobs
- Targeted Sectors, including Advanced Manufacturing, Professional/Business Services, Global Business, and High Technology
- Capital Investment
- Corporate and regional headquarters
- Transit-Orientated Development locations

EVALUATION AND ACCOUNTABILITY

- Fiscal Benefit Analysis (direct and indirect benefits)
- Performance-based agreements
- Support contracts above \$500,000 require City Council action
- Program Evaluation
 - Formal in 2012
 - Informal annually

Business Attraction and Retention

Business Incentive Fund Program Overview

CURRENT BUSINESS INCENTIVE FUND

- Is operated on a “cash-basis”
- Upon acceptance of the BIF support by a company, OED encumbers the full amount of the multi-year contract from existing funds
- A contract is developed and executed outlining the specific performance (e.g. jobs, leased space and time frame, investments)
- At appropriate performance milestone, the business invoices the OED under the terms of the contract. A validation of the performance is completed (by Dept of Finance and OED)
- At the term of the contract, any remaining encumbered funds from the contract are released in the BIF

PROGRAM BACKGROUND

- The BIF is the business incentive tool primarily utilized by OED and the City to attract and retain firms
 - Denver OED also administers the Business Personal Property Tax Credit (General Fund portion only (~13.5/85.0mills) – a four year, tax credit for business investment
 - Peers cities have larger incentive funds and/or 100% property tax credits for 10-20 years
- Colorado OED-IT requires a 1:1 match by a local jurisdiction for its Strategic Fund Program, and encourages local match for the Job Growth Tax Credit Program
- Neither Metro Denver EDC nor Downtown Denver Partnership provide any business incentive funds for perspective businesses
- Colorado OED-IT programs have a limited focus on business retention and expansion

ECONOMIC DEVELOPMENT

2014 Project Pipeline – Active projects with business support letters

Business	Sector	Type	BIF Funds	Jobs/Avg Pay	Investment
Project Pangaia <i>Attraction</i>	Advanced Manufacturing	HQ and Manufacturing	\$1.35M	300 (new) /\$89,000	\$50M
Project Bean <i>Attraction</i>	Consulting Services	IT Customer Solution Center	\$299,000	166 (new) /\$113,000	\$5M
Project Fog <i>Attraction</i>	Financial Services	North American HQ and Customer Service Center	\$90,000	218 (new) /\$71,000	\$500,000
Project Hawk <i>Expansion</i>	Financial/ Insurance Services	Regional Office	\$300,000	330 (retained); 300 (new) /\$59,500	\$3.4M
SUBTOTAL	4 Businesses	3 Attractions	\$2,039,000	1,314 jobs	\$58.9M

ECONOMIC DEVELOPMENT

2014 Project Update - Completed Projects

Business	Sector	Type	BIF Funds	Jobs/Avg Pay	Investment
Project Draw <i>Retention</i>	Professional Services	North American HQ and Customer Service Center	\$175,000	450 (retained) /\$79,000	\$1M
Project Roadrunner <i>Attraction</i>	Logistics/IT	Regional Offices	\$50,000	200 (new) /\$61,000	\$400,000
Project Tech <i>Expansion</i>	Tele-com	Regional Office	\$25,000	150 (new) /\$114,000	\$1M
Project App <i>Expansion</i>	IT	HQ/Operations	\$50,000	100 (retained); 200 (new) /\$50,000	\$1M
Project Flyer <i>Expansion</i>	Financial Service	Regional Office	\$150,000	230 (retained); 120 (new) /\$101,800	\$2M
Project Ship <i>Retention</i>	Logistics/IT	Operations Facility	\$75,000	168 (retained); 31 (new) /\$48,000	\$2.2M
Signpost <i>Expansion</i>	IT/Marketing	Regional Office	\$50,000	100 (new) /\$44,000	\$1M
PENSCO Trust <i>Retention</i>	Financial Services	Operations Center	\$30,000	100 (retained) /\$53,500	\$1M
NAMJet <i>Attraction</i>	Advanced Manufacturing	Regional HQ and Manufacturing	\$115,000	80 (new) /\$57,000	\$1.75M
TOTAL 2014	9 Businesses	2 Attractions	\$720,000	1,929 jobs	\$11.4M
TOTAL 2013	4 Businesses	2 Attractions	\$415,000	1,228 jobs	\$15.3M
TOTAL 2012	7 Businesses	4 Attractions	\$1.33M	1,516 jobs	\$147.4M

ECONOMIC DEVELOPMENT

2015 Project Prospects

Business	Sector	Type	Jobs/Avg Pay	Investment
Project Green <i>Attraction</i>	Professional Services	Regional Office	80 (new) / \$70,000	\$500,000
Project Crunch <i>Attraction</i>	IT	Operations Center and Data Center	155 (new) /\$86,000	\$4M
Project Connect <i>Attraction</i>	Healthcare/IT	HQ and operations center	100 -200 (new) / \$TBD	TBD
Project Station <i>Attraction</i>	Professional Services	HQ	1,200 (new) /\$90,000	TBD
Project Bell <i>Attraction</i>	Communication	HQ	120 (new) /\$150,000	\$1M
Project Street <i>Retention</i>	Professional Services	Regional Office	600 (retained) / \$110,000	\$ 1.5-15M
Project Number <i>Expansion</i>	Business Services	Regional Office	90 (new) /\$120,000	\$750,000
Project Build <i>Retention</i>	Real Estate	Regional Office	100 (retained)+ /TBD	\$2.0M+
Project Trust <i>Expansion</i>	Business Services	HQ	200 (new) / \$110,000	\$3.0M+
Project GoGo <i>Attraction</i>	Logistics/ Manufacturing	HQ and Manufacturing	15/\$50,000	TBD
Project Storm <i>Attraction</i>	Professional Services	North American HQ	20-50/ \$80,000	TBD

ECONOMIC DEVELOPMENT

Business Development

CHALLENGES

- Unpredictability of Attraction and Expansion Opportunities
- Growing number of businesses examining Denver as location for expansion
- OED has utilized a variety of approaches to support continued business growth, for small and large businesses
 - OED's Revolving Loan Program
 - Innovation Center development support
 - Workforce training programs
 - Development Services Ombudsman approach
- Strategy has been to focus on our target sectors with a comparative advantage and to build our "brand"

2014 SUPPLEMENTAL BUDGET REQUEST

- \$1.35M for 2014 projects
- Focus on Imminent Opportunities
- Linked to priority locations