

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 Costco Wholesale Corporation covering a five-year period in the amount of \$2 million as the company has purchased and will be renovating buildings at the Alameda Square Shopping Center (Alameda Blvd. and Zuni St. in Denver) and opening a unique-in-market business service retail store in Spring 2016.

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:**

The proposed resolution will create a contract for Business Incentive Funds (BIF) to be provided to Costco Wholesale Corporation for \$2 million over a five-year period. The company has purchased and will be renovating buildings in the Alameda Square Shopping Center (Alameda Blvd. and Zuni St. in Denver) and opening a unique-in-market business service retail store in Spring 2016. The facility will be serving businesses, nonprofits, and individual customers throughout the Denver metro 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- 201524655-00
- b. **Duration:** October 1, 2015 – September 30, 2020
- c. **Location:** 999 Lake Drive, Issaquah, WA 98027
- d. **Affected Council District:** Citywide
- e. **Benefits:** Business Incentive Fund (BIF)
- f. **Costs:** \$2,000,000.00

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

(Groups or individuals who may have concerns about it?)

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. Since 2013, portion of the funds have been designated for retail projects.

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 \$2 million incentive through the BIF to **the new Costco store at Alameda Square** represents an exciting economic milestone for the immediate neighborhoods of Valverde, Westwood, Athmar Park, and Barnum due to the creation of 150+ local jobs ranging from \$18-\$22/hr with benefits. It is actually the company's payment of Sales & Use Taxes, however, that is the specific performance measurable upon which the incentive funds will be dispersed. After its opening in Spring 2016, the store is expected to generate approximately \$2.5-3.0 million annually in such taxes for Denver's General Fund, of which 50% will be returned to Costco on a quarterly basis until the \$2 million incentive agreement is fulfilled. Also, this incentive will not begin until after an existing tax-increment financing (TIF) agreement on the site expires in October 2016. OED calculates that the City will realize its revenue on this incentive in 18-24 months (even though the contract duration is five years).

The site at Alameda Square was formerly a Lowe's Home Improvement store and has been vacant for several years. Costco has purchased the building, and OED believes this new chapter will have a catalytic effect on the overall site.

This new store will be a business service center—the only of its kind in the region—and will share about 35% of its merchandise with a typical Costco consumer store. Costco individual members will be welcome to shop there, although the bulk of the customers are expected to be businesses and nonprofit organizations. About a third of this business will be direct delivery. The location near I-25 will also be convenient for the store to serve its commercial customers downtown and in southern suburbs as well as throughout the region.

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