

Business Incentive Fund (BIF) Update & Business Attraction Project Introduction

**Business, Arts, Workforce and Aeronautical Services Committee
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**Turid Nagel-Casebolt
Director of Business Development, OED**

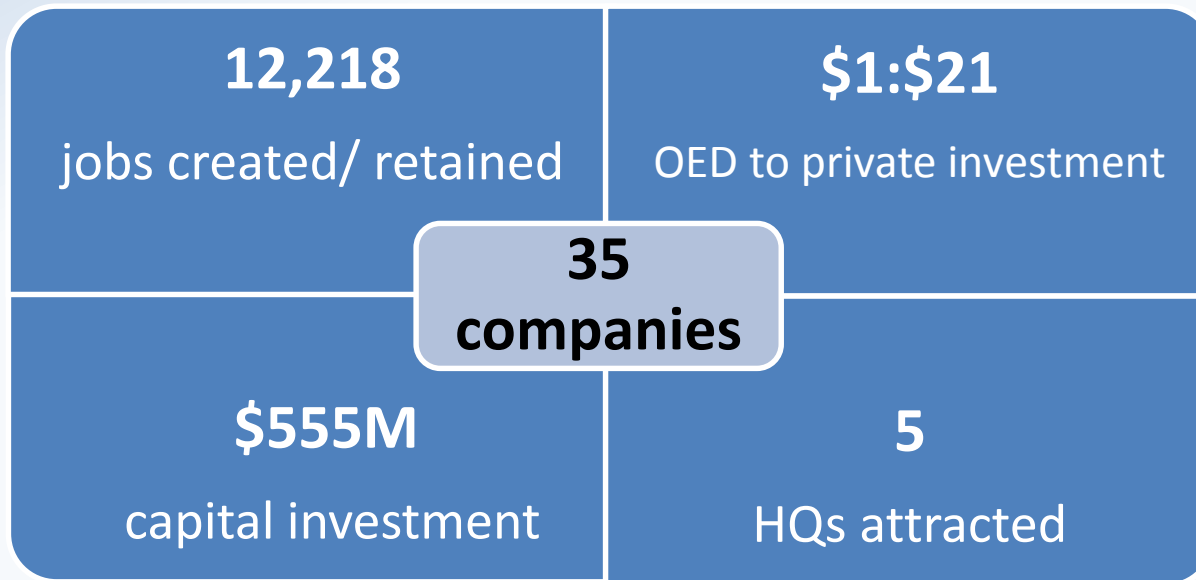
**Jeff Romine
Chief Economist, OED**



Business Incentive Fund (BIF) Update (2012-2016)

- Created in 2005 to **strengthen and diversify the local economy and increase our global marketplace** through incentive support of catalytic business development projects
- Considered for support are **business attraction** as well as **business retention & expansion** projects that:
 - Create and/or retain a significant number of **jobs in key, targeted industries** (job opportunities)
 - Deliver a **catalytic impact in emerging sectors**, thus supporting Denver's brand as a leading community for innovation and entrepreneurship (next generation economy)
 - Make **significant capital investments** resulting in tax base expansion
 - Result in **corporate and regional headquarters** locating in Denver, generating a significant economic and business impact in other job creation and related investment through their support industries
- Direct financial **incentives** are tied to job creation/retention, capital investment, and/or establishment of a new or expanded Denver corporate presence; recipients enter into a multi-year contract, with payments occurring based on documented performance
- Funds provided to OED through annual or supplemental budget expenditure through the Mayor's budget, and approved by City Council
- Currently, annual allocation totals \$1.2M, of which \$200K are reserved for retail projects; over the past five years, supplemental funding has been sought for three very significant catalytic projects

Business Incentive Fund (BIF) Update (2012-2016)



Business Incentive Fund (BIF) Update (2012-2016)

2012

Company	Industry	Project Type
Colorado Premium Foods	Food Processing / Wholesale Trade	Retention and Expansion
Raymond James & Associates	Finance and Insurance	Attraction (Data Center)
Southwest Airlines	Aviation	Expansion (Pilot Center)
Sysco Denver	Food Service Distribution	Retention
Zachry Engineering Corp	Professional Services	Retention

Job creation: 630
Job retention: 686
Capital
Investment: \$49M
BIF investment:
\$394K

Business Incentive Fund (BIF) Update (2012-2016)

2013

Company	Industry	Project Type
Johns Manville	Manufacturing	HQ Retention
Kinross Gold USA	Mining	Attraction
KPMG	Professional Services	Retention
Sympoz / Craftsy	Information Technology	Expansion
The Kroger Co.	Manufacturing	Attraction (State-of-the-Art Mfg plant)
Ziegenfelder Co.	Manufacturing	Attraction

Job creation: 506
Job retention: 871
Capital Investment:
\$173M
BIF investment:
\$1.04 M

Business Incentive Fund (BIF) Update (2012-2016)

2014

Company	Industry	Project Type
Birdon America / NAMJet	Manufacturing	Attraction
Comcast Cable Communication	Information Technology	Attraction
Coyote Logistics	Transportation/ IT	Attraction
Federal Express	Transportation / Distribution	Retention/Expansion
Ibotta	Professional Services	Expansion
Panasonic Enterprise Solutions Co*	Technology	HQ attraction
PENSCO Services	Professional Services	Retention
Signpost	Information Technology	Expansion
Vantiv	Finance and Insurance	Expansion
World Remit	Finance/ IT	HQ Attraction

Job creation: 1,312
Job retention: 698
Capital Investment:
\$61.5M
BIF investment: \$2.06
(*including one supplemental)

Business Incentive Fund (BIF) Update (2012-2016)

2015

Company	Industry	Project Type
Costco*	Retail	Attraction
DaVita Inc	Healthcare	Expansion
KPMG Ignite	Professional Services	Attraction
Optiv	Information Technology	HQ attraction
SunRun	Energy	Attraction
Transamerica	Finance and Insurance	Expansion
United Airlines*	Aviation	Retention and Expansion

Job creation: 2,476
Job retention: 1,050
Capital Investment:
\$232.6M
BIF investment: \$7.2M
(* including two
supplementals)

Business Incentive Fund (BIF) Update (2012-2016)

2016

Company	Industry	Project Type
2U Inc.	Information Technology	Expansion
BP Lower 48	Energy	HQ Attraction
evo	Retail/ Active Lifestyle	Attraction
BOARDLife	Craft Manufacturing/ Retail	Expansion
Mac Acquisition (Macaroni Grill)	Hospitality	HQ Attraction
TIAA	Professional Services	Expansion
“Project Cresta”	Information Technology	Attraction

Job creation: 2,278
Job retention: 1,711
Capital Investment:
\$39M
BIF investment:
\$990K

Sixteen California Business Project: Potential TARGET Store

- Goal is to sustain the 16th St Mall as a **great experience and marketplace** for Denver residents, downtown workers, and visitors – from the region, US and internationally
 - Continue to invest in improving the retail, dining, and cultural mix to ensure Denver's downtown is an attractive, fun, social and cultural place
 - Leverage Denver's and the private sector investments in the 16th Street mall, parks, amenities, safety and other public improvements
 - Attract and retain leading businesses, new residential and commercial developments, and hospitality and meeting venues
- Business development successes attracting and retaining leading businesses, including **DaVita, Gusto, Optiv, and Johns Manville**
- A vibrant shopping and dining experience targets for downtown include leading apparel (**H&M and Uniqlo**), restaurants, and locally focused retailers (**Cook's Market**)
- **TARGET**, a leading mass-merchandiser, has been a focus of our attraction efforts – as identified in our 2013 Denver Retail Study



Sixteen California Business Project: Potential TARGET Store

- **Sixteen Cal LLC is working to finalize a lease for a potential urban TARGET for the corner of 16th and California.**
 - Estimated project gap is \$4M+, due to required tenant improvements and rent provision
 - Base building space improvements are required to meet “vanilla” expectations:

New Elevator \$200K	Floor openings \$200K	Freight Elevator \$200K
HVAC upgrade \$240K	Fire/Safety \$250K	Upgrade Escalators \$100-350K
Signage/Exterior \$225	Demo/Floor \$175K	Contingency \$200K
 - Owners would forego property redevelopment opportunity for up to 20 yrs
- **Discussions are favorably progressing for a potential TARGET. The store would be a catalytic tenant in both this rehabbed building and in this central 16th Street mall block**
- **Store would be located on the 2nd and 3rd floors, in 28,130/sqft, with a 16th Street mall entrance at ground floor**
- **Store product mix would vary to other stores, with a focus on urban households and downtown workers**

(Note: The two existing Denver TARGETs are much larger: Northfield is 180,000 sqft, Hampden is 134,500 sqft)

Sixteen California Business Project: Potential TARGET Store

Area Factors – easy walking distance

Population:	20,000 residents	(25-44 years old just below 50%)
Housing Units:	14,000	(Avg Hhold 1.4, 96% Multifamily)
Avg Hhold Income:	\$100,800	
Employment:	125,000	(65% are higher wage positions)
Downtown Visitors:	10M +/-	(Conventions, business visitors and tourists)
Auraria Students:	25,000	

Store Metrics

Estimated Sales (Target Urban Store)	\$400-450/sqft
• Gross	\$11-\$14MM
Employment	50-60 FTE employees
• Annual Wage/Salaries	\$14.50+ /hr (avg 25hr workweek)
Store Construction Value	
▪ Landlord Improvements	\$2M+
▪ Tenant FFE	\$500-\$700K

Fiscal Benefits

Sales/Use Tax	Annual \$370-460K
20 Year Sales Tax	\$8.2-13.7M
Other Taxes (OPT, BPPT)	\$260K

Sixteen California Business Project: Potential TARGET Store

Recommended Business Incentive

✓ Total Incentive of \$4M over a period of 20 years

- Maximum incentive will be the **lower** of either 50% of Denver Sales/Use Tax collected for the tenant space or \$4M during the performance period
- \$2M Advance Incentive payment will be due after store opening (to offset tenant required building improvements)
- \$2M in Quarterly Incentive payments until \$4M of total Denver Sales/Use Tax is collect from the tenant space, based on a 50% rebate share
- As the next \$4M in total Denver Sales/Use Tax is collected, the 50% rebate portion will paid down the outstanding portion of the \$2M Advance Incentive payment
- *Thus the first \$8M of Denver Sales/Use tax payment will be used as the performance standard for this contract (creating a 50/50 split), after which no additional incentive will be paid*

✓ The Advance Payment will be secured by a Deed of Trust and will be repaid in full

- Repayment through retained earned incentive (after first \$4M in S/U tax is collect), until all \$2M is credited and any remaining uncredited portion of the Advance Payment will be due and payable at the conclusion of the performance period
- The Lien (DoT) will be subordinate only to independent/3rd party debt
- Maximum Debt Loan to Value Ratio set at 80%
- Equity coverage ratio 1:1.5

- ✓ OED has approval role with Landlord if a release is ever required

Sixteen California Business Project: Potential TARGET Store

Annual Sales/Use Tax Revenue & Incentive Payments (Expected Scenario)



DISCUSSION

