

# DEDO ORDINANCE/RESOLUTION REQUEST

Date of Request: 5/3/21

Please mark one:  [X] Bill Request or  Resolution Request

## Type of Request:

Contract/Grant Agreement  Intergovernmental Agreement (IGA)  Rezoning/Text Amendment

Dedication/Vacation  Appropriation/Supplemental  DRMC Change

**Title:** Amends Section 53-545 of the Denver Revised Municipal Code regarding the review and sunset of the Business Investment Program (BIP), originally passed in 2012, extended in 2017 through 2021, and now proposed to be extended an additional 10 years (2022-2032).

**Requesting Agency:** Denver Economic Development & Opportunity (DEDO)

## Contact Person:

<i>Contact person with knowledge of proposed ordinance/resolution</i>	<i>Contact person to present item at Mayor-Council and Council</i>
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## General text description or background of the proposed request, if not included as an executive summary.

Amends Section 53-545 of the Denver Revised Municipal Code regarding the review and sunset of the Business Investment Program (BIP) to extend the program through 2032. By granting eligible Denver businesses an annual tax credit for making certain qualifying investments in business personal property including machinery, equipment, and furniture as well as other business-related operations, the BIP is an economic development incentive tool designed to stimulate business growth and create jobs while helping Denver regain and maintain its edge in a highly competitive employer recruitment and retention climate.

The program initially was established for a five-year program period (2012 through 2016), then extended for five additional years (2017-2021). With the sunset of the program currently slated for the end of 2021, Denver Economic Development & Opportunity (DEDO) and the Department of Finance (DOF) recommend that the proven successful BIP program be extended for a ten-year term (2022 through 2032).

Since its launch, firms of all sizes and industries participated in the BIP, investing more than \$475 million in qualifying business personal property. The program has been utilized by companies of all sizes and types. In fact, more than 60% of program participants have been small businesses with between 5 and 100 employees.

**City Attorney assigned to this request (if applicable):** Brian Martin

**City Council District:** Citywide

## EXECUTIVE SUMMARY

### Highlights of the Business Investment Program:

- Offers a business personal property tax credit on qualifying investments
- Businesses must make eligible investments to receive the credit; this is a performance-based resource
- Business must be new to Denver or undergo expansion activities
- Only applies to a portion of the BPP tax collected (General Fund portion)
- Encourages capital investments which broaden the tax base and leads to revenue benefits for the city, DPS, and other causes
- Proportionally beneficial to companies of all sizes and types
- An equal opportunity incentive – not restricted based on size, location of project; it has a straightforward application process
- Unlocks other tools and supports for businesses when a local match is required
- Serves as a retention tool when economy softens

In its current state, the qualified businesses receive the tax credit for four years. The current program reauthorization is required at five-year intervals. In the proposed future state, the BIP would classify applicants into two tiers based on their level of investment in business personal property, and reauthorization of the program would be required at ten-year intervals.

### Background and History:

In 2012, Denver created the voter-approved Business Investment Program (BIP), which was part of ballot Measure 2A, to support Denver's business climate, increase economic opportunity and boost Denver's economic viability. The program began accepting applications in Spring 2013 and was designed to:

- Encourage and reward business investments in the local economy,
- Support job growth and expanded business operations,
- Broaden the commercial tax base; and
- Keep the city regionally and nationally competitive in terms of its business retention, expansion, and recruitment efforts.

The original program offered a tax credit for a period of four tax years to new and expanding local firms that make qualifying investments in business personal property, including machinery, equipment, furniture, and other items related to commercial or industrial operations. These have been property taxes that would otherwise be collected but are credited back, reducing the firm's overall tax liability.

The program has increased Denver's competitiveness and greatly contributed to a business' decision to relocate, expand and invest in our community vs. competing locations. It is a broadly applicable direct financial incentive tool, i.e., not districted to enterprise zones or targeted neighborhoods.

Thus far, businesses have applied for this tax credit in the amount of the Denver General Fund portion, representing roughly 14%, of their taxes on business personal property for up to four years, starting when the property is placed in service. Businesses must meet **at least one** of these growth requirements in order to claim this tax credit:

- Being new to Denver; or
- An increased investment of at least \$1 million in business expansion; or
- An increased investment of at least 100% over its prior business capital level; or
- An increase by at least 10 employees over the preceding 12-month average; or
- An increase by at least 10 percent in employment over the preceding 12-month average.