

ADMINISTRATION MEMORANDUM
#10-18

DATE: December 2, 2010

TO: Honorable Mayor Joyce Downing & City Council Members

FROM: William Simmons, City Manager *WMS*
Ryan Stachelski, Economic Development Manager *RJS*

SUBJECT: Enterprise Zone

An enterprise zone is a State funded program which encourages investment in capital and job creation in economically distressed areas by providing State tax credits. Currently the city of Northglenn has one enterprise zone. This zone covers the Marketplace and adjacent area. See appendix 1 for exact boundaries. The current Enterprise Zone was put into place in July of 1998. Over the years a few stores have taken advantage of the state tax credits including Lowes. During the past month, City Staff has been working closely with property representatives to better market the enterprise zone to both existing businesses within the Marketplace and potential new tenants.

Some of the major benefits for being in the zone are that property owners and/or business owners can take advantage of the following credits:

- Investment Tax Credit = 3%
- Training Credit = 10%
- New Job Credit = (\$500 per job)
- Health Insurance Credit (\$200 per job)

Economic Development staff has investigated the possibility that the enterprise zone could be expanded to other areas within the City. To qualify an area's per capita income needs to be 25% below the States per capita income at a given point in time or the areas unemployment rate needs to be 25% higher than the State's unemployment rate at a given point in time.

The results of the investigation, which was done in partnership with Adams County Economic Development (ACED), was that the entire City would qualify for the enterprise zone under the qualifying factor of having an unemployment rate 25% above the State unemployment rate in 2008. See attachment 2 for qualifying calculations.

Based on these results, City Council may choose to expand the current enterprise zone to a number of locations in the City. If City Council chooses to expand the enterprise zone to additional areas around the City the process would be as follows:

1. The City would host a public meeting for business owners and property owners in the proposed enterprise zone areas. Feedback would be taken as to how each area would propose using the enterprise zone in their area. Feedback would also be used to determine the appropriateness of expanding the enterprise zone to each area.
2. City Council would pass a resolution showing support of new enterprise zone areas.

3. ACED would create and forward an application on behalf of the city of Northglenn to the State office of Economic Development and International Trade (OEDIT). ACED is the local enterprise zone administrator, which is why they would create and submit the application.
4. OEDIT would put the City's application on the next available meeting of the State's Economic Development Commission (EDC).
5. Economic Development Staff from Northglenn, ACED, and OEDIT will present the application for enterprise zone expansion along with testimonials from local businesses and City Council's resolution to EDC.
6. If the EDC approves our application the City will be able to add another set of incentives to the future and existing businesses in targeted Northglenn areas.

STAFF REFERENCE:

If Council members have any comments or questions, they may contact Ryan Stachelski at 303.450.8743 or rstachelski@northglenn.org.

Attachments:



1. Current and Possible Future Enterprise Zone areas in Northglenn.
2. Enterprise Zone Criteria Calculator
3. Enterprise Zone Overview

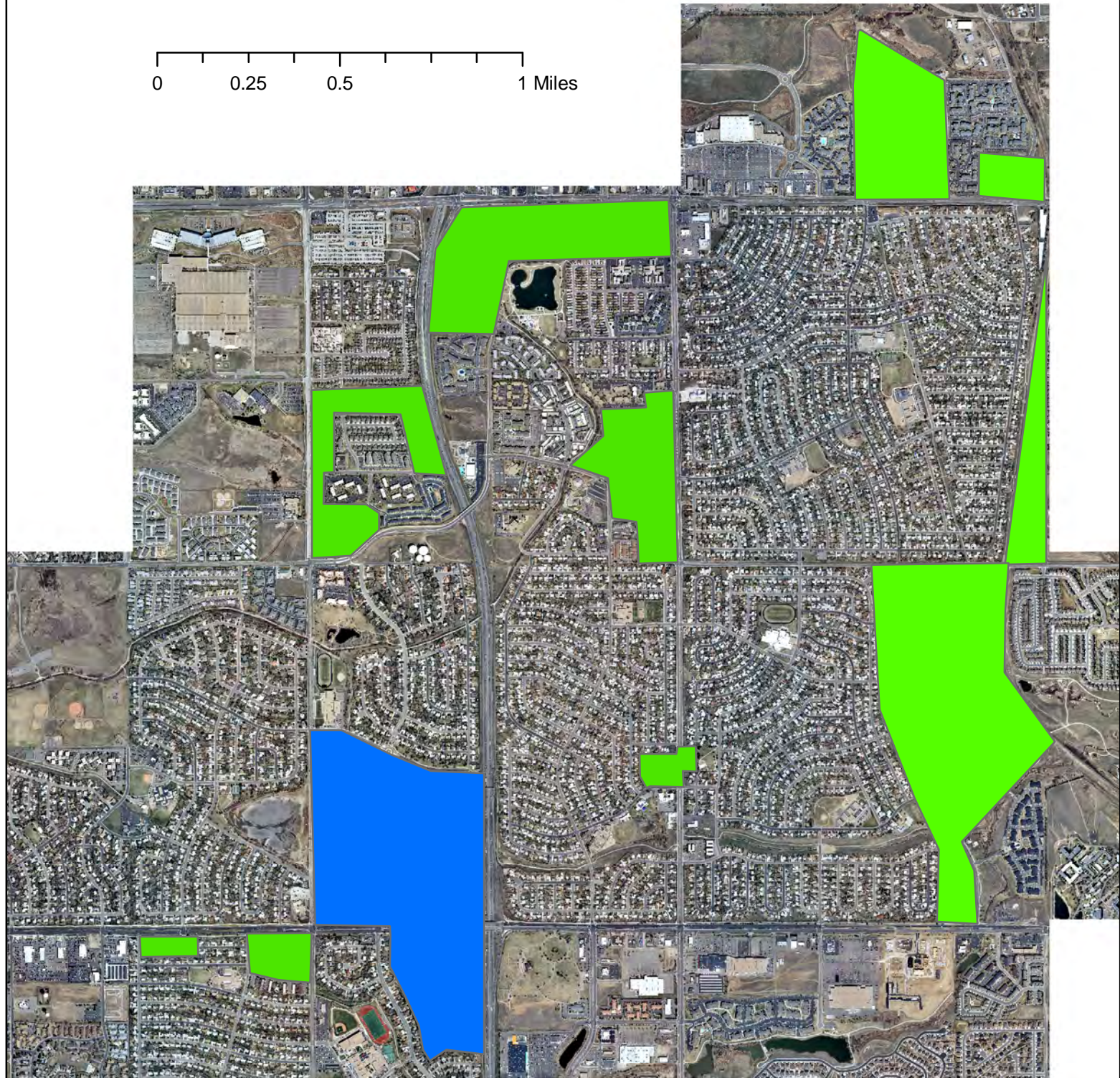
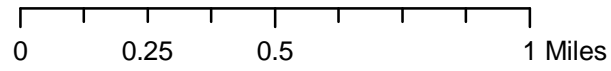


Attachment 1

Current and Possible Future Enterprise Zone Map

Legend

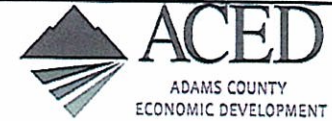
-  Current EZ
-  Possible Future EZ



Enterprise Zone Criteria Calculator

Northglenn, Colorado

10.15.10



Any municipality, county, or group of contiguous municipalities or counties may propose an area of such municipality, county, or group of municipalities or counties to be designated as an enterprise zone if the area has a population of no more than eighty thousand persons, or one hundred thousand persons if the area is a rural area, and meets at least one of the following additional criteria:

(a) A population growth rate less than twenty-five percent of the state average rate for the most recent five-year period for which data are available from the United States census bureau or the department of local affairs, or, if such data is not available for any five-year period, for the most recent period of not less than five nor more than ten years for which such data is available; or

(b) An unemployment rate at least twenty-five percent above the state average for the most recent period of twelve consecutive months for which data is available from the department of labor and employment;

(c) A per capita income less than seventy-five percent of the state average for the most recent period for which data is available from the United States census bureau or the department of local affairs.

a) Population				
	2000	2008	Percent	Benchmark (25% below)
State				
Colorado	4,301,261	4,844,568	12.63%	9.5%
Census Tract				Meets Criteria (Yes or No)
71.01	31,575	35,238	11.60%	NO

b) Unemployment Rate (2008)	
	Benchmark (25% above)
3	
5.3%	6.6%
Actual	Meets Criteria (Yes or No)
7.7%	YES

c) Per Capita Income (2008)	
State	Benchmark (less than 75%)
\$ 30,129	\$ 22,597
Actual	Meets Criteria (Yes or No)
\$ 24,322	NO

Enter Census Data in grey boxes. Benchmark is in yellow.

Enterprise Zone Overview

Are you IN the Enterprise Zone?

- Search the Enterprise Zone Map section of the Adams County Economic Development website (www.AdamsCountyED.com) to determine if your address is in the Enterprise Zone (enter the complete address to verify your address).

What is the Enterprise Zone?

- A State funded program which encourages investment capital and job creation in economically distressed areas by providing State Tax Credits.
- The State gives tax credits to businesses that are in these economically challenged areas (Enterprise Zones) for things like job creation, capital investment, R&D and Vacant Building Rehabilitation.

Main Message

- EZ tax credits can have a significant impact (\$1000-\$500,000)
- Filing for these tax credits is relatively easy (2-page DR74 tax form)
- ACED is here to assist any business that needs help with the process

Major Benefits

- **Investment Tax Credit (3%)** - This is the most widely used tax abatement. It essentially allows businesses in the EZ to receive a credit against their state income tax of 3% of their capital investment in equipment. This is available to all businesses in the EZ.
- **Training Credit (10%)** - This allows businesses that make significant investment in human capital to recover 10% of their training program costs as an income tax credit. This is available to all businesses in the EZ.
- **New Job Credit (\$500 per Job)** - If a business creates a "new job" in the EZ then it could be eligible to take advantage of this credit. (Existing jobs transferred from another Colorado location are not eligible and business must qualify as a New Business Facility).
- **Health Insurance Credit (\$200 per Job)** - If the employer pays more than 50% of the employees' health care benefits, there is an extra \$200 that can be claimed for the first two years in addition to the new job credit. (Business must qualify as a New Business Facility).

Credits that require forms other than the DR0074 Certification of EZ Business:

- **Vacant Building Rehabilitation Credits** – 25% credit for hard costs associated with rehabbing a building that has been vacant for at least 2 years and is at least 20 years old. (DR76 tax form)
- **R & D credits** – 3% credit for increased investment in research and development. Must be technological in nature, utilize processes of experimentation and useful in the development of new products or services. In house or contract research qualifies. (DR77 tax form)
- **Manufacturing Sales Tax Exemption** – There is a state-wide sales tax exemption for companies purchasing manufacturing equipment. Benefits for EZ companies are expanded- can include expensed items, materials used to repair equipment and mining equipment. (DR1191 tax form)

For more information please contact:

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