



ADMINISTRATION MEMORANDUM
11-06

DATE: February 24, 2011

TO: Honorable Mayor Joyce Downing & City Council Members

FROM: William Simmons, City Manager 
Ryan Stachelski, Economic Development Manager 

SUBJECT: Business Incentive Policy – Draft 2

RECOMMENDATION:

Attached to this memorandum is the draft Business Incentive Policy and application form for all projects. This document will lay the foundation for the City's business incentive activities. Staff recommendation is to seek input from City Council and NURA before bringing the final draft of the Business Incentive Policy to both City Council and NURA for final approval.

BACKGROUND:

The city of Northglenn and NURA have both used incentives in the past to help promote development and redevelopment in the City. Both the City and NURA have incentive programs that can be applied in a variety of scenarios to help support redevelopment efforts; however, these programs and the process in which they are implemented have varied from project to project. The Business Incentive Policy is being created to standardize the types of incentives in which either the City or NURA may award, the process in which those incentives are considered, and the criteria that is used to determine the merit of an incentive request.

On Jan. 20th a first draft of this policy was presented to both NURA and City Council at a City Council study session. At that meeting feedback was given and has resulted in updates to the policy. Major changes to the policy are highlighted in red. On page 3 of the policy, policy id's N1 and C1, there are maximum incentive caps. The caps are for discussion purposes only, currently there are no codified caps for either incentive.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed Business Incentive Policy.

BUDGET/TIME IMPLICATIONS:

Specific incentive programs referenced in the Business Incentive Policy may have impacts on either the City budget or NURA budget depending on the program. Some items within the Business Incentive Policy may be cost shared between NURA and the City. Some incentive may also come from other funding sources, i.e. State and Federal grants, private grants, State tax credits.

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. Draft Business Incentive Policy
2. Draft application form – all projects
3. Business Incentive Flow Chart

Draft Business and Development Assistance & Incentives Policy

The City of Northglenn recognizes the value of providing business assistance and to aid businesses to locate in the City and to encourage the expansion of existing businesses. The City of Northglenn and the Northglenn Urban Renewal Authority (NURA) are partners in the redevelopment of the community. The City and NURA have a toolbox of business and development assistance and incentive programs that can be custom fit to support projects. This policy is meant to define specific incentive and assistance programs that the City and NURA have available to assist business either existing in Northglenn or moving to Northglenn. The policy is meant to outline the role both the City and NURA play in determining if a specific incentive or assistance program may be awarded to a project.

The city of Northglenn and NURA will always provide property owners, business owners, and developers with the highest level of predevelopment review in an effort to both inform people of opportunities, and save pre-development dollars. The City also works to expedite the permitting and planning process in all cases.

The purpose of the business and development assistance and incentive policy is to:

- Formalize a policy and guidelines for qualifying projects;
- Provide a defined process for granting incentives;
- Create greater efficiency for staff;
- Enhance tools to advance community goals;
- Give the business community a sense of predictability, and help the business understand what they can and cannot ask for in terms of assistance and incentives.

The business and development assistance and incentive policy may be used by any public, private, or non-profit entity seeking business assistance or incentives from the city of Northglenn or NURA.

City Council's role will be to continue to approve specific partnership terms, using the Policy as a platform for decisions relative to programs and incentives under City Council's authority.

NURA's role will be to continue to approve specific partnership terms, using the Policy as a platform for decisions relative to programs and incentives under NURA's authority.

Incentives that are able to be executed by both the City Council and/or NURA may be used mutually exclusive of the other as determined independently by City Council or NURA.

As a result of the business and development assistance and incentive policy the City and NURA will be creating a pro-business environment that:

- Enables the private sector to understand the City's and NURA's goals before asking for assistance
- Reinforces the message that the City and NURA are open to partnerships, but that projects seeking assistance must meet the policies guiding principals and criteria.
- Streamlines decision-making

Guiding Principles

Land Use

- Identified in existing plans (comprehensive plan, urban renewal plan,)
- Within existing urban renewal area or City priority area
- Potential to provide primary jobs

Financial

- Likely require public sector support (incentives) to develop or redevelop
- Potential to generate tax revenues for the City and NURA (all tax revenues)
- Redevelopment could reduce City costs
- Area currently experiences decreasing revenues

Intangibles

- Eliminates adverse conditions (blight)
- Improves community image
- Trigger spinoff benefits for other properties
- Redevelopment is timely or urgent
- Area of expressed community concern
- Property owner interest in facilitating redevelopment
- Synergic with other selection criteria
- **Creates a positive return on investment for the City**

General Guidelines for Determining Incentives

These guidelines are for the general purposes of measuring qualified projects. Projects do not specifically need to meet all of these guidelines.

- Financial business incentive is less than the total new revenue (**Sales, Use, and Property Taxes**) created by the new or expanding company **over the period of the incentive.**
- Brings high quality development to the City that **meets** or exceeds the minimum architectural standards and/or site design that are set forth in the standards for commercial or residential development.
- Creates or retains quality jobs in the City. ~~in an amount that exceeds \$25,000.~~
- Retains existing sales tax to the City or creates new sales/use tax for the City. ~~that exceeds \$25,000.~~
- Creates new property tax for NURA and the City. ~~that increases the assessed property value for the project area by a minimum of 25%.~~
- Supports existing quality businesses in the City.
- Creates or retains economic diversity within the City.
- ~~Area is within a City Council and NURA defined priority area~~

Current Incentive programs by NURA	
N1	<p>Urban Renewal (TIF) - Tax Increment Financing (TIF) is a tool authorized under Colorado State statute by which local governments can publicly finance the rehabilitation or demolition of existing structures, construct or install new streets, utilities, open space and other improvements that serve a public purpose. Expenditures are made within a defined area called an urban renewal area. The tax increment is derived from the difference in appraised value between the year in which the area and TIF was formally established by Council (base year) and each year is in existence, for a period not to exceed 25 years. The increment is generated by real property tax resulting from new construction and increases in market values due to public improvements and redevelopment efforts. Incentive levels are based on amount of new real property tax created as a result of the project, among additional program criteria. Incentive is capped at 100% in new property tax increment as a result of the project for not more than 10 years.</p> <p style="text-align: right;">Source: C.R.S. 31-25-107(9)</p>
N2	<p>Business Upgrade Assistance Program - This program is available to new or existing businesses in the Northglenn Urban Renewal Authority area. Its purpose is to provide assistance with upgrades necessary related to water, wastewater, and storm water system upgrade costs. The property owner is allowed to receive reimbursement for up to 50% of the cost of the improvement with a maximum reimbursement of \$10,000.</p> <p style="text-align: right;">Source: NURA Resolution: N/09-18</p>
N3	<p>Grants – This program allows NURA to provide funding to meritorious projects for the purpose of business attraction, retention, or expansion. Funding levels are project specific and are based on the discretion of NURA.</p> <p style="text-align: right;">Source: Not formalized in statute or resolution</p>
N4	<p>Tax Exempt Bond Financing - Tax exempt bond financing is to provide long-term financing for select economic development projects. Bonds are issued by NURA and exempt from state and local taxes. Financing levels are based on revenue projections use to repay the bonds.</p> <p style="text-align: right;">Source: C.R.S. 31-25-109</p>

Current Incentive programs by City of Northglenn	
C1	<p>Enhanced Sales Tax Incentive Program (ESTIP) - The ESTIP provides for a share-back of retail sales tax generated as a result of capital improvements, to local retailers or developers, as reimbursement for capital projects that meet the criteria established as public or public related improvements. All rebates are subject to City Council approval and may not be applied retroactively. Incentive levels are based on amount of new sales tax created as a result of the project, among additional program criteria. This program allows for the share of up to 60% of the incremental sales tax over the first 10 years of a project with a maximum share back of \$1,000,000.</p> <p style="text-align: right;">Source: Northglenn Municipal Code: Chapter 5, Article 12</p>
C2	<p>Business Incentive Zone (BIZ) -The city's Business Incentive Zone is an incentive program</p>

	<p>designed to attract new businesses and assist existing businesses to expand or renovate within Northglenn. The BIZ, which has city-wide application, allows for the abatement of use tax on machinery, furniture and fixtures associated with the initial development or redevelopment “project”, use tax on building materials, building permit fees, zoning fees and plan check fees. The amount of the abatement is based on the amount of additional sales tax, use tax, property tax, and/or accommodation tax revenue the city anticipates receiving from the new or expanded business during its first year of operation. A maximum of \$15,000 can be applied for using this program.</p> <p style="text-align: right;">Source: Northglenn Municipal Code: Chapter 5, Article 13</p>
C3	<p>Enterprise Zone - Colorado's Urban and Rural Enterprise Zone Act of 1986 established a program to encourage new capital investment and job growth in economically-distressed areas of the state. Companies located in an Enterprise Zone area are eligible for various state income tax credits. The four-block area in and around the Northglenn Marketplace in the city is included within the Colorado Enterprise Zone.</p> <p style="text-align: right;">Source: C.R.S. 39-30-101 through 109</p>
C4	<p>Residential Rates for Businesses at Recreation Center – Employees of Northglenn businesses are eligible to purchase a Resident ID card or Pass. Employees only need a photo ID and proof of employment at any Northglenn business.</p> <p style="text-align: right;">Source: Program not formalized in City code</p>

Current Incentive programs by NURA and/or City of Northglenn	
NC1	<p>Land Transactions - The purpose of this incentive is to potentially assist developers with land acquisition and assemblage for qualified projects in targeted priority areas.</p> <p style="text-align: right;">Source: Program not formalized in City code or with NURA resolution</p>
NC2	<p>Infrastructure Cost Participation - The City or NURA may elect to participate, either through a formal program or on a case-by-case basis, in the cost of construction and / or maintenance of infrastructure that will support projects and properties.</p> <p style="text-align: right;">Source: Program not formalized in City code or with NURA resolution</p>
NC3	<p>Pedestrian and Roadway Enhancements and Linkages – The City or NURA may participate in projects that advance this comprehensive plans objective in the form of expending capital for infrastructure and maintenance of public linkages. In the context of the priority investment areas, public improvements are considered to encompass streetscape and roadway improvements that encourage pedestrian and transit access, as well as public space amenities.</p> <p style="text-align: right;">Source: Program not formalized in City code or with NURA resolution</p>
NC4	<p>Federal and State Grants – On an individual project basis, the City may pursue Federal or State grants that directly or indirectly benefit a development project.</p> <p style="text-align: right;">Source: Program not formalized in City code or with NURA resolution</p>

City of Northglenn & Northglenn Urban Renewal Authority Business and Development Assistance & Incentives

Request Form: Development Concept Proposal

Date: _____

Name: _____

Company: _____

Project Name: _____

Ph #: _____

Projects are evaluated based on the following guiding principles and criteria. Projects do not need to follow all guiding principles and criteria; however, more meritorious projects will represent a majority of these principles and criteria. Applicants are encouraged to submit information as to who their project meets the incentive guiding principles and criteria.

Guiding Principles

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- Identified in existing plans (comprehensive plan, urban renewal plan,)
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Applicant shall submit a conceptual design proposal consisting of the following elements:

1. Narrative Description of Development Concept: Provide a narrative description of the development objectives: size, nature and location of the proposed land uses, urban design and architecture. Include specific statements indicating how the Development Concept advances the guiding principles of the City and NURA.
2. Conceptual Design: Provide a Conceptual Design which conforms to applicable city of Northglenn codes and standards. The Conceptual Design shall consist of drawings showing elevations and perspectives. Additional descriptions of color, material and size of structures, and landscaping would be appreciated, but are not necessary.
3. Project Fact Sheet: The Applicant shall provide a project fact sheet indicating the following data and information (as applicable):
 - a. Gross Building Area:
 - b. Housing (Number of Units and Type):
 - c. Restaurant Space (SF):
 - d. Office Space (SF):
 - e. Retail Space (SF):
 - f. Industrial Space (SF):
 - g. Parking Requirements:
 - h. Building Height:
 - i. Floor Area Ratio:
 - j. Jobs

The Applicant shall provide information in the form of a Simple Summary Pro Forma to indicate the economic basis for the request. The purpose of this information is to demonstrate the economic feasibility of the proposed development and shall be in such detail to indicate such feasibility including all major assumptions concerning costs, income and any economic "gap." Note: If information to this level of detail is not available, please provide what you have related to your project concept and anticipated costs and revenues.

Confidential

(Proprietary Business Information)

Project Costs:

Land and Parking Cost:

Land, xx square feet @ xx: \$ _____

Parking Costs, xx spaces @\$xx: _____

Total Land and Parking Costs: \$ _____

Building Costs (including soft costs and contingency): \$ _____

Operating Start-Up Costs: \$ _____

Financing and Carrying Costs: \$ _____

Total Furniture and Equipment Cost (in Year 1) \$ _____

Total Projected Sales (in Year 1) \$ _____

Total Projected Sales Increase Year after Year _____%

Capitalized Project Value: \$ _____

Total Project Cost (@ Build-Out): \$ _____

Project Margin / Gap: _____

Project Margin / Gap %: _____

Amount of Request: \$ _____

Notes:

1. Building pad sites may be available for sale or long-term lease – please specify at a rate per square foot.
2. Parking costs reflect private sector contribution to parking construction.
3. The number of required parking spaces will vary depending upon the mix of land uses proposed – please explain allocation.
4. Operating costs should include a fee to be charged for maintenance of common areas. Please provide a Common Area Maintenance (CAM) fee estimate in terms of per square foot of gross building area.
5. Economic "gap" equals capitalized project value minus project costs.

For official use only:	
Estimated Annual Sales Tax:	\$ _____
Estimated Annual Use Tax:	\$ _____
Estimated Annual Property Tax Increment:	\$ _____
Estimated Annual Return on Investment:	_____ %

City of Northglenn & Northglenn Urban Renewal Authority
Business and Development Assistance & Incentives
Proposed Schedule of Development

Date: _____

Name: _____

Company: _____

Project Name: _____

Ph #: _____

1. Initial purchasing and due diligence period:
2. Additional period for pre-leasing and due diligence:
3. Completion and submission to the Authority of final construction plans for development:
4. Completion and submission of construction financing commitment for development:
5. Satisfaction of the conditions contained within construction loan commitment:
6. Commencement of development of project:
7. Completion of construction of project:
8. Project economic impacts:
 - Permanent Employment:
 - Construction Employment:
 - Total Annual Income from Permanent Employment:
 - Total Annual Income from Construction Employment:

Attachment 3

Business Incentive Flow Chart

