

CASTLE ROCK BUSINESS AND DEVELOPMENT INCENTIVE PROGRAM

PROGRAM OVERVIEW

Economic Vitality is a critical factor in ensuring Castle Rock's long-term success and in achieving its Vision of being a Self-Sufficient Community; a Community in which Residents can Live, Work, Play and Purchase the Goods and Services they need; and Create a Tax Base adequate to support provision of Core Town Services.

With increasing regional competition, it is important to Castle Rock to create and maintain an exceptional Business Climate. A key component is the creation of an Expanded Business and Development Incentive Program.

The program includes elements to support core Castle Rock Economic Development (EDC) priorities including: Attraction and Expansion of Primary Employers, Attraction and Expansion of Targeted Retail and Investments in Projects of Economic Significance or Serving as Economic Catalysts. The program is designed to Create Jobs, Expand the Tax Base, Encourage Existing Businesses to make Capital Investments, and Spur New Office, Industrial, and Retail Expansion and Development. It is critical that all incentive programs create a Net Positive Job or Economic Impact on the community.

The parameters in this program are for guidance purposes and each case will be evaluated on a case-by-case basis.

PROGRAM DESIGNED TO ATTRACT AND RETAIN DESIRED BUSINESSES

New or Expanding Existing Businesses

New companies or those that are expanding their existing business must be in the negotiation stages of the relocation or expansion process. An incentive package will only be considered prior to a company making a final site selection or expansion decision. At a minimum, all incentives must be negotiated and agreed to in writing prior to:

- Execution of a Land/Building Purchase Agreement (signed)
Letters of Intent (LOI's) do not qualify as an executed purchase agreement and are, therefore, generally permitted to exist during the incentive negotiation period.
- Hiring of New Employees (new or existing company)
- Incentives will not be given retroactively or after the hiring process or the deal closes

Retain Major Existing Business

In rare and limited circumstances involving a major existing primary employer or a major existing sales tax-generating retailer, incentives may be considered for the primary purpose of retaining that business within the Town of Castle Rock.

Involvement in Member Organizations

The Castle Rock Town Council strongly supports Castle Rock's primary employers and encourages companies receiving incentives to demonstrate involvement in the community and investment in Castle Rock's economic future. For that reason, Town Council requests that each recipient investigate membership and sponsorship opportunities in the member organizations of the Castle Rock Economic Partnership: Castle Rock Economic Development Council, Castle Rock Chamber of Commerce, and Castle Rock Downtown Alliance (Downtown Development Authority and Downtown Merchants Association).

GENERAL APPROVAL PROCESS

Funds Available for the Incentive Program

Funds available for the Incentive Program are finite. Incentives are granted on a first-come, first-serve basis.

- Project incentives of \$100,000 or less may be approved administratively by the joint signature of the Castle Rock Town Manager and the Castle Rock Economic Development Council CEO.
- Project incentives totaling more than \$100,000 require approval of the Castle Rock Town Council.
- The Town Manager further reserves the right to refer any incentive application to the Town Council for consideration and action.

Applications for Incentives

Applications for Incentives shall include a formal application and submission of information and documentation as established and required by the Town Manager and EDC CEO. Submission of insufficient information may be a basis for rejecting an application. Proprietary business information shall be considered confidential for public records purposes, unless waived in writing by the applicant.

Award of Incentives

Award of Incentives is a negotiation process. Approval of a given incentive does not create a precedent for consideration or approval of another application, and does not create any rights or benefits upon any prospective applicant or business. Decisions of the Town Manager and EDC CEO, or the Town Council, are final and not subject to appeal. As applicable and appropriate, best efforts shall be made by the Town Manager and EDC CEO to confer with and obtain recommendations from the Castle Rock Economic Partnership, EDC Board of Directors, Chamber of Commerce Board of Directors, or Downtown Development Authority Board of Directors.

PROGRAM REPORTING

As part of its annual report, Castle Rock EDC will include a section dedicated to addressing performance of the Economic Development Fund. The report will include but not be limited to:

- Number and Type (Manufacturing, IT, etc.) of Companies that Used the Incentives
- Type of Incentive Used (Capital Investment, Job Creation etc.)
- Average Dollar Amount of the Incentive Packages
- Balance Tracking

The Town Manager and the EDC's CEO shall also report Administratively Approved Incentives to Town Council on a regular and timely basis.

Applicant agrees to formally report to Town Council on the one-year anniversary date of the job creation incentive or following the certificate of occupancy if development permit and fees were reimbursed to discuss the value the incentive program had on the relocation and/or expansion of the company.

PROSPECTIVE (NEW) PRIMARY EMPLOYERS

A Primary Employer is one in which a minimum of 50% of goods or services are sold outside of Douglas County. Creation of new primary jobs to grow the economic base and provide employment opportunities for Castle Rock residents is a core priority.

Job Creation Incentive Requirements:

- Documentation of Primary Employment - minimum of 50% of Goods and Service outside of Douglas County
- Create Full Time employment with a minimum annual salary of \$40,000 (\$30,000 for Manufacturing Positions)
- Positions must be based in Castle Rock
- Provide current employee list identifying full time, part time, and contract positions
- Document current new job creation based on company size – Job Minimums:
 - Small Business (20 or fewer employees): **2**
 - Medium Business (21 to 49 employees): **5**
 - Large Business (50 or more employees): **10**
- Maintain new positions for 24 months
- Incentivized positions must be filled within the first six months of contract date in order to receive partial payment on the first anniversary of the agreement
- Be licensed and own/lease Commercial/Industrial property in the Town of Castle Rock
- Engage in a business activity consistent with the goals and vision of the Town of Castle Rock

Incentives:

- Incentive of \$1,000 per job created
 - Additional Incentive of \$500 per job created with is above the Douglas County average wage.
 - Additional Incentive of \$500 per job if job is created and held by a Castle Rock resident.
 - Additional Incentive of \$1,000 per job if job meets the definition of our Target Industry.
- Incentive distribution: The contract will be valid from the anniversary of the signing of the contract/agreement with ½ of the incentive paid at the conclusion of year 1 (for all jobs created within the first 6 months of the executed contract) and the remainder paid at the conclusion of year 2.
 - Contracts will expire in 45 days if not signed by all parties.

Average Douglas County Wage is **\$50,163** [Douglas County, 2011] FTE = 38 Hours per Week (*Rate may be updated annually by the Town Manager and EDC CEO without Town Council action or amendment to this program.*)

(Based on anniversary date of Certificate of Occupancy)

Capital Improvement Incentives

A Prospective Primary Employer must invest in new capital improvements:

- Equipment purchase exceeding \$50,000 USD,
- Execute a building expansion of at least 10%, or
- Construction of a new building

Incentives:

- Up to a 50% rebate of Development Permits Fees and Taxes (limited to Town Fees)

EXISTING PRIMARY EMPLOYERS

A Primary Employer is one in which a minimum of 50% of Goods and Services are sold outside of Douglas County. Creation of new primary jobs to grow the economic base and provide employment opportunities for Castle Rock residents is a core priority.

Job Creation Incentives Requirements:

- Documentation of Primary Employment - minimum of 50% of Goods and Service outside of Douglas County;
- Create Full Time employment with a minimum annual salary of \$40,000 (\$30,000 for Manufacturing Positions)
- Positions must be based in Castle Rock
- Provide current employee list identifying full time, part time, and contract positions
- Document current new job creation based on company size – Job Minimums:
 - Small Business (20 or fewer employees): **2**
 - Medium Business (21 to 49 employees): **5**
 - Large Business (50 or more employees): **10**
- Maintain new positions for 24 months
- Incentivized positions must be filled within the first six months of contract date in order to receive partial payment on the first anniversary of the agreement
- Be licensed and own/lease Commercial/Industrial property in the Town of Castle Rock;
- Engage in a business activity consistent with the goals and vision of the Town of Castle Rock.

Incentives:

- Incentive of \$1,000 per job created.
 - Additional Incentive of \$500 per job created which is above Douglas County average wage.
 - Additional Incentive of \$500 per job if job is created and held by a Castle Rock resident.
 - Additional Incentive of \$1,000 per job if job meets the definition of our Target Industry.
- Incentive distribution: The contract will be valid from the anniversary of the signing of the contract/agreement with ½ of the incentive paid at the conclusion of year 1 (for all jobs created within the first 6 months of the executed contract) and the remainder paid at the conclusion of year 2.
- Contracts will expire in 45 days if not signed by all parties

Average Douglas County wage is **\$50,163** [Douglas County, 2011] FTE = 38 Hours per Week (Rate may be updated annually by the Town Manager and EDC CEO without Town Council action or amendment to this program.)

Capital Improvement Incentives:

An Existing Business must invest in new or replacement capital improvements:

- Equipment purchase exceeding \$25,000
- Building expansion of at least 10%, or
- Construction of a new building

Incentives:

- Up to 50% off Development and Permit Fees and Taxes (limited to Town Fees), provided that the new equipment does not result in existing job loss.

Business Retention Incentives

An Existing Major Primary Employer considering relocation outside of the Town of Castle Rock may be eligible for incentives demonstrated to be necessary for the business to remain in Castle Rock.

Incentives: Negotiated on a case-by-case basis. Incentives exceeding \$100,000 require Town Council approval.

TARGET INDUSTRY PROSPECTIVE PRIMARY EMPLOYERS

Target Industry Incentives are in addition to the incentives provided under general “Primary Employers” category. An additional \$1,000 may be earned per job created, enabling targeted industries to earn up to \$3,000 per new job. Other incentives may be considered on a case-by-case basis.

Primary employers that qualify as a targeted industry may be eligible for additional incentives. Target industries are determined annually by the Town Manager and EDC CEO. Changes require Town Council approval. The Town of Castle Rock’s targeted industries are:

- IT/High Tech
- National Finance/Insurance
- Professional Scientific Services (architecture, engineering, etc.)
- Manufacturing

In addition to the before mentioned requirements, applicants requesting the Target Industry Incentive must also meet or exceed the definition of a 2nd Stage Company as define below.

- Company must be privately held
- Commercial enterprise (not a nonprofit)
- Be past the startup stage
 - Employ 6 or more full-time equivalent W-2 employees
 - Have minimum annual revenue of \$750,000
 - Demonstrate the intent and capacity to grow

Incentive: Up to a 75% rebate for Development and Permit Fees and Taxes (limited to Town Fees) in addition to the other Job Creation and Capital Improvement incentives.

ECONOMIC CATALYSTS/PROJECT OF ECONOMIC DEVELOPMENT SIGNIFICANCE

There are certain projects of special significance that generate greater opportunities for additional economic development and/or provide highly desirable community amenities. These significant projects include, but are not limited to:

- Highly Desired Retail
- Higher Education Facilities
- Cultural Facilities
- Recreational Facilities
- Sports Facilities
- Primary Employment that include 25 of more new FTE position to Castle Rock
- Facilities for Targeted Industries

Economic catalysts also may be associated with specific geographic areas within town targeted for development or redevelopment.

Incentives: Incentives for these types of projects are negotiated on a case-by-case basis with the EDC CEO and Town Manager. Incentives exceeding \$100,000 require Town Council approval. Eligible incentives may include short term low interest and/or interest only loans and up to 100% rebate for Development and Permit Fees and Taxes (Limited to Town Fees).

Primary Office Development Program

The Town of Castle Rock and Castle Rock Economic Development Council (EDC) executed an **Economic Development Strategic Plan** with the assistance of Economic Planning Systems (EPS), which summarized a vision for growing the Town's economy and providing a set of guiding principles based on the Town's economic strengths and weaknesses. The analysis identified three major initiatives.

- Continue to focus on attraction and growth of primary employment within the EDC's target industries.
- Improve the market position of office development in Castle Rock and continue to incentivize office development in the Town.
- Increase the number of people that live and work in Castle Rock.

On May 7, 2019 Castle Rock Town Council adopted two additional incentive programs to be added to the **Castle Rock Business and Development Incentive Program**, originally established in 2012. The programs outlined are designed to encourage office development in Castle Rock in order to support additional primary employment, an essential component to the Town's commitment to be a premier stand-alone community.

Office Loan and Lease Programs

The Office Loan and Lease Programs are designed to mitigate risk and encourage office development, with the intent to increase office inventory and attract primary employment. The development projects proposed under these programs would need to meet the criteria of a "Catalytic Project" as defined in the Castle Rock Economic Development Policies and **will require Town Council approval on a project by project basis**. Applicants should choose the program that best supports the financial need of their proposed project.

Office Loan Program

- **Objective** – Attract Primary Employment by investing in new office development. Primary employment is defined by an employer that sells a good or services at 51% or more outside of Douglas County.
- **Incentive** – Economic Development Fund would loan a qualifying project up to 10% of the office project's cost not to exceed \$1 Million.
- **Loan Terms** – 1% Interest only for years 1-3 or until the project is 75% leased (whichever comes first). After year 3 (or 75% leased), the loan would convert from interest only to prime + 1% for one year, prime + 2% for the second year, and prime + 3% for all remaining years.
- **Minimum Criteria** – 40,000SF office building, site that can accommodate at least two 40,000SF office buildings, 25% of the building preleased to a primary employer as defined above with a minimum of 25 employees with an average wage that meets or exceeds the Douglas County average. (The LOI would need to be converted to a lease prior to entering into final agreement with the Town of Castle Rock.)
- **Comparative Criteria** – If two or more proposals are being considered, projects will be evaluated based on: number of primary jobs that are a part of the project, type of jobs that are being proposed, average wages, the ability to attract additional primary employers, size (SF) of the project, financial strength of the applicant, strength of the site and its capacity (size and infrastructure) to handle additional primary office projects.

Office Lease Program

- **Objective** – Attract Primary Employment by investing in new office development. Primary employment is defined by an employer that sells a good or services at 51% or more outside of Douglas County.
- **Incentive** – For qualifying projects, the Town would lease the lesser of 10,000SF or 25% of the project. The final rate will be determined after project selection and award and will be based on a current market analysis. The rate will reflect unoccupied, core and shell space. For proforma purposes Applicants are encouraged to estimate the rate between \$18NNN and \$22NNN (rates are subject to change). The lease term would be limited to 5 years and would phase out (accelerate) proportionately to any lease signed that would bring the project above 75% occupancy.
- **Minimum Criteria** – 40,000SF office building, site that can accommodate at least two 40,000SF office buildings, 50% of the building preleased to a primary employer as defined above with a minimum of 40 employees with an average wage that meets or exceeds the Douglas County average. (The LOI would need to be converted to a lease prior to entering into final agreement with the Town of Castle Rock.)
- **Comparative Criteria** – If two or more proposals are being considered, projects will be evaluated based on: number of primary jobs that are a part of the project, type of jobs that are being proposed, average wages, the ability to attract

additional primary employers, size (SF) of the project, financial strength of the applicant, strength of the site and its capacity (size and infrastructure) to handle additional primary office projects.

(For more detailed information regarding the Office Lease and Office Loan program, and for the program application please contact the EDC office at 303.6887488)

RETAIL INCENTIVES

Expansion of the Town's Sales Tax Base is a core priority. A Strong Retail Base also provides diversity and options of goods and services to residents, can attract regional dollars, and supports the Community Vision of Castle Rock as a Self-Sufficient Community.

The project should at a minimum:

- Fill a Market Niche
- Be a desirable addition to Castle Rock, which includes but is not limited to the following key retail targets:
 - Family Entertainment
 - Regionally Oriented Retailers
 - Specialty Restaurant
 - Retail underrepresented in Castle Rock market;
- Engage in a business activity consistent with the goals and vision of the Town of Castle Rock;
- Have a positive impact on Castle Rock sales tax revenue;
- Be licensed or obtain a license doing business from an owned or leased commercial property location within the Town of Castle Rock.

New business development and expansion of existing businesses are eligible for incentive consideration.

Under special circumstances involving a major sales tax-generating retailer, incentives may be considered primarily for the retention or improvement of such an existing business within the Town of Castle Rock.

Incentives:

- Percentage "share back" of Town sales tax received from the business for a specific period of time that the business is in operation.
- "Share backs" are subject to the annual appropriation of Town Council.
- Other incentives considered on a case-by-case basis.
- Incentives exceeding \$100,000 require Town Council approval.

Business Personal Property Tax Rebate

Castle Rock and Douglas County have the authority to rebate up to 100% of their share of business personal property tax (BPPT) for a period of up to 10 years. The BPPT rebate is designed to facilitate the creation of new, permanent primary jobs within the Town of Castle Rock and Douglas County. Eligible businesses are those locating or expanding in Castle Rock and will be undertaking significant job creation and/or capital investment projects. For addition information please call Castle Rock EDC at 303.688.7488.

State Incentives

In addition to the Castle Rock Economic Incentive Program the State of Colorado's Office of Economic Development and International Trade offer several targeted incentive programs. For more information on these programs please feel free to contact Castle Rock EDC at 303.688.7488.