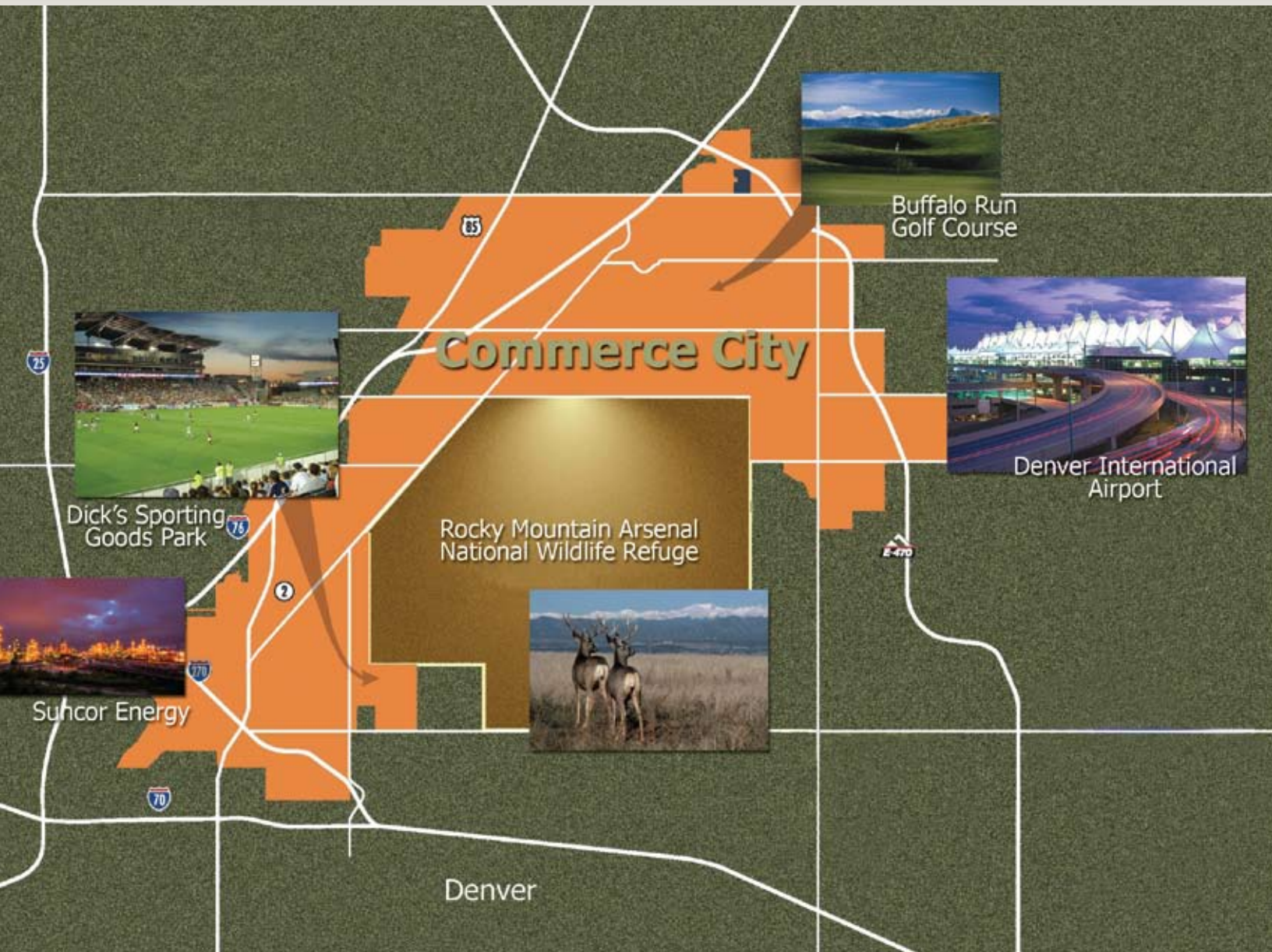


COMMERCE CITY

Colorado



**COMMERCE CITY, COLORADO'S
INNOVATIVE INCENTIVE PROGRAM**

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Summary of Program

During the economic downturn, and now especially in its recovery, every US city is faced with the same dilemma - to press forward as business as usual or to pull back programs and services. Commerce City, Colorado held a number of strategic public meetings to decide which approach to take. The City decided to move forward with a massive incentive program created to jump-start the local economy that has proved to be quite lucrative for this town of 42,000 just north of Denver, Colorado.

With the input of the local business community, Commerce City designed a creative and effective strategy to position the City well to survive during the downturn and to achieve greatness during the recovery. In 2010, Commerce City has doled out more than \$2.5 million in incentives to businesses, homebuilders and homeowners, resulting in the creation of nearly 450 jobs and \$30 million in capital investments.

The City of Commerce City's Incentive Program includes, but is not limited to, offering home builders a \$1,500 rebate for every home built in 2010 or 2011, providing new grocery and eating places with a 50 percent sales-tax rebate for the first two years of operation, and temporarily waiving half of the building fees associated with residential home improvements. There are rebates available to "green" businesses and "energy efficient" building practices as well. And if a new or existing business in one of the five Commerce City Target Industries aims to create more than 50 jobs or invest more than \$10 million in capital improvements, it is eligible to get above what is offered in the package.

The City has used the incentive program to attract Cummins Rocky Mountain to build the largest High Horse Diesel Engine remanufacturing center in the US and a Kings Soopers Marketplace (large grocery store) to Commerce City.

Description of Commerce City

Commerce City, Colorado is a rapidly growing city located in Adams County, Colorado and is part of the larger Denver Metropolitan Statistical Area (MSA). With a current population of over 42,000, Commerce City enjoys a strategic location between Downtown Denver and Denver International Airport (DIA).

The current national recession has certainly had an effect on the local economy of Commerce City, evidence of which can be seen in the escalating local unemployment rate that reached 14 percent in March of 2009 according to the Bureau of Labor Statistics. In addition, the City's image has long suffered from being pigeon-holed as an industrial town; however, new residential development and quality of life amenities are beginning to offset this perception. These underlying economic factors provided ample opportunity for the economic incentive program.

Quantum of Leap Innovation

The secret to the Incentive Program's success is the change in thinking necessary to inspire a change in practice. The City worked together with members of the business and residential communities to explore questions, ideas and problems that are the core of living and working in

Commerce City. The City's knowledge combined with public insight moved the conversation forward to create possibilities for companies, residents and increased revenue to the City.

Benefit to the Community

This massive program to jump-start the local economy was meant to impact all facets of the Commerce City economy and has provided incentives to new and existing businesses, homebuilders and homeowners. The program offers many public benefits, including: jobs, innovation and economic growth.

Initiative and Implementation

In January 2010, the City Manager hosted the first Business and Development Summit in Commerce City's history. The purpose of the summit was to find out what Commerce City was doing well to support our business community and where there are areas of improvement.

After the business summit concluded, we set up a small group of existing and prospective Commerce City businesses to provide short-term and long-term recommendations to City Council. This group was called the Business Advancement Taskforce (BAT). The BAT's main charge was to help create a short-term incentive program to help jumpstart the Commerce City economy in 2010.

After several meetings, the group agreed on a program that would impact all facets of the Commerce City economy. They presented a proposed 6-month incentive program that provided for a number of tax and fee rebates for existing and new businesses, homebuilders, and homeowners. A summary of the program is as follows:

- Existing and Prospective Businesses:
 - 10% sales/use tax rebate for capital investment
 - 50% of building fees rebated
 - \$500 or \$250 rebate per new job created
- New Retailer (Grocery or Eating Place):
 - Receives same incentive as prospective business
 - 50% sales tax rebate for first year and second year
 - 25% sales tax rebate for third and fourth year
- Existing Retailer (Grocery or Eating Place):
 - Receives same incentive as existing business
 - 5% sales tax rebate for 2010
- Homebuilder:
 - \$1500 rebate

- Homeowner
 - 50% of building fees rebated
- Projects of Economic Development Significance
 - Create 50 new jobs or invest \$10 million in capital improvements
 - 50% or more sales/use tax rebate for capital investment
 - Speedier development review process
- Bonus for Green Building and Green Companies
 - Additional \$100 or \$50 rebate per job
 - Additional 15% sales/use tax rebate for capital investment
 - Additional 10% of building fees rebated

After City Council approved the six month program in May of 2010, the Economic Development Division developed and implemented a targeted marketing and business campaign to promote the incentive package. Specific collateral materials were developed on incentive opportunities. A direct mail campaign was implemented to all businesses, homebuilders and homeowners. Social networking sites such as Twitter were also used to support marketing efforts. The City website was also used to promote the program.

The program was unanimously extended in December of 2010 by the City Council for another six months after the City had seen much success. To date, the City has approved more than \$2.5 million in incentives to businesses, homebuilders and homeowners, resulting in the creation of nearly 450 jobs and \$30 million in capital investments.

We competed against Salt Lake City to land Cummins, Inc. – a Fortune 500 company – that later this year will open the largest High Horse Diesel Engine remanufacturing center in the U.S. in Commerce City. After ten years of attempting to attract a grocery store to an area of the city that has almost 17,000 residents and an average median income of \$80,000 with no nearby grocery store, Commerce City was able to use the incentive program to finally land a 125,000 sq ft grocery store.

Risks

By providing tax and fee incentives to businesses, there was potential for the taxpayers to say this was a “waste” of their money and using the “free market” argument that the businesses will decide when and how they will grow regardless of incentives. Fortunately, we received unanimous support from the City Council and have received accolades from the public on this effort. Further, we have received national attention for the success of the program, including being asked to speak in front of the Atlanta Regional Commission in December of 2010.

Innovative Environment

The incentive program was initiated during first quarter of 2010. At the time, consumer and corporate confidence were damaged from the negative financial markets in 2009. Colorado suffered from job loss and a high unemployment rate. Many Commerce City residents had seen their home values plummet, and the cost of everything from gas to groceries to health care had gone up. Therefore, a key factor that contributed to the success and sustainability of the program was due to this economic crisis. However, success was also due to confident and supportive leadership at all levels in the city. In fact, the City Council unanimously approved the 6 month program in June of 2010 and with expressed support and commitment extended the program another 6 months in December of 2010.

Costs and Savings

Because the program is comprised of tax and fee rebates, there was no fiscal risk or cost to implement.

Lessons Learned

The incentive program is particularly interesting as this is the first time this mechanism is being used in Commerce City. A main lesson learned from this program: it is imperative that information about a new incentive program be simple, easy to understand, and easily accessible to everyone. An incentive program that is perceived as too complex or hard to understand by the public is a program that will not generate much interest. Therefore, keep the message simple and repeat it often.

Stakeholder engagement was also a key component to the success of the program. Because of the diverse interests of the stakeholders, frequent meetings were required to share concerns and make revisions to the program that were palatable and feasible for all parties.

Champions

The City Manager and the Economic Development Division championed and designed a creative and effective incentive program to position the City well for the downturn and for the recovery. However, the success of the program would not have been as great, be it not for the participation and endorsement of the local business community, especially those on the Business Advancement Taskforce (BAT).