



## Council Communication File Number: Res 2022-105

**Agenda Date:** 12/5/2022

**Version:** 1

**Status:** Consent Agenda

**In Control:** City Council

**File Type:** Resolution

### A RESOLUTION AUTHORIZING A LODGING TAX REBATE INCENTIVE FOR 96TH AND TOWER ROAD INC

#### **Summary and Background Information:**

City Council desires more commercial development, including hotels. Currently, there are no hotels operating within the city. Hotel developers are sharing that construction materials and labor costs have risen substantially over the last five years, greatly increasing hotel development and operating costs. Incentive programs that bring down development costs and help fill financial gaps are important to a hotel developer and/or operator and can often help move a project forward.

To help attract new hotel developments, City Council adopted the *Commerce City Accommodations Lodging Tax Rebate Program* (Resolution 22-48) on May 2, 2022.

The program authorizes a full or partial rebate of the hotel and motel accommodations tax as an economic development incentive. This tax is a 4% city tax added to the price of renting a hotel or motel room in Commerce City for a time-frame that is less than 30 days and is in addition to the 4.5% city sales tax. City Council approves all city business incentives offered that are valued over \$50,000.

The commercial developer for Second Creek Farm at the SWC of E. 96th Avenue and Tower Road is proposing construction of a 93-room limited service Holiday Inn Express as part of the development. The proposed hotel includes amenities such as a business center, pool, fitness center, guest laundry, and breakfast area.

Business incentive requests are presented to City Council during an Executive Session to discuss terms. An Executive Session is necessary so that other communities vying for a project aren't given a competitive advantage by knowing what Commerce City is willing to offer in incentives for a project. A Resolution with incentive terms typically goes to City Council on consent agenda. Once an incentive Resolution is passed by City Council, staff prepares the incentive agreement based on the terms approved in the Resolution.

Potential business incentives for the proposed Holiday Inn Express were discussed with City Council during an Executive Session on July 27, 2022. Resolution No. 2022-105 reflects the discussion and staff's recommendation to offer a graduated percent rebate of the City's 4 percent lodging tax over a five-year period, not to exceed \$250,000:

- Year 1: 90 percent (estimated rebate \$90,000)
- Year 2: 50 percent (estimated rebate \$50,000)
- Year 3: 35 percent (estimated rebate \$35,000)

- Year 4: 35 percent (estimated rebate \$35,000)
- Year 5: 35 percent (estimated rebate \$35,000)

Based on information supplied by the developer, the proposed hotel would bring an estimated room sales revenue of \$12.5 million, and estimated city tax revenue of \$1,062,500 over the first five years of operation. The project would also bring capital improvements of \$13.4 million.

A business incentive is a strategic investment by a public agency that creates or enhances the feasibility of a private-sector project to help achieve a community's economic development goals. Utilizing business incentive programs as an economic development tool to attract preferred development projects is a common practice. The Lodging Tax Rebate Program is designed to help attract new hotel development projects to Commerce City by rebating a portion of the city hotel and motel accommodations tax for a period of time. The program is part of a larger effort to increase commercial development in the city.

**Staff Responsible (Department Head):** Michelle Claymore, Economic Development Director

**Staff Member Presenting:** Placed on consent agenda. Wendi Nafziger, Business Development Manager, is available for questions.

**Financial Impact:** Tax rebate of up to \$250,000 over 5 years.

**Funding Source:** 4% city lodging tax on room rentals

**Staff Recommendation:** Approve

**Suggested Motion:** Move to approve *Resolution 2022-105* authorizing a lodging tax rebate incentive for 96th and Tower Road Inc