



Commerce City

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Council Communication

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Economic Development Incentive Program Renewal and Expansion

Summary and Background Information:

City Council desires more commercial development, especially new restaurants, hotels, family entertainment businesses, grocery stores and a hospital. Construction materials and labor costs have risen substantially over the last five years, making incentive programs that bring down market entry costs important to a developer and end-user. They look to the city for any financial assistance to help fill financial gaps that will move a project forward.

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.

Commercial Development Fee Waiver Program

City Council passed Resolution 2019-53 waiving certain city development fees for preferred types of new commercial development--restaurants, hotels and entertainment. Staff is actively marketing this program as a benefit to bringing these types of projects to Commerce City. There are a few projects considering a Commerce City location. However, the program is set to expire May 31, 2022. Staff is asking to extend this program for another five years, until May 31, 2027; and expand the project definitions to include grocery stores and hospitals. The proposed definition changes are in red below:

1. ~~eating and drinking establishments, excluding restaurants with drive-thru/up-service;~~ **restaurants, excluding fast food;**
2. recreation or amusement facilities, excluding health clubs; and
3. ~~visitor accommodations,~~ **lodging establishments or lodging, extended stay,** excluding overnight campgrounds;
4. **hospitals**
5. **grocery stores**

Passing City Council Resolution 2022-47 on May 2, 2022 will extend and expand the Commercial Development Fee Waiver Program as described above.

Lodging Tax Rebate Program

Development and labor costs in Commerce City are especially high, and revenue during

the early years of a hotel property often isn't enough to cover its costs. Rebating a portion of the taxes collected from Commerce City's *hotel and motel accommodations tax* can help projects overcome high development costs, making them more attractive for investment. The *hotel and motel accommodation tax* is a 4% city tax added to the price of renting a hotel or motel room in Commerce City for a timeframe that is less than 30 days. The measure was approved by Commerce City voters in the November 2007 general election anticipating new hotel development in the city.

The Commerce City Lodging Tax Rebate Program would offer a rebate of up to 90% of the 4% *hotel and motel accommodation taxes* paid for up to 20 years. Hotel operators would pay the full value of taxes owed, and the city would rebate a portion of the taxes based on the approved incentive agreement. All incentive requests for this program will be considered on a case-by-case basis. Requests with estimated rebate values over \$50,000 will be brought to City Council for discussion and potential approval. Lesser amounts will be reviewed and approved administratively. Once an incentive agreement is approved and the hotel is operating, the hotel business must be in "good standing" with all city taxes and fees owed before a rebate is issued.

The proposed 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 certain types of commercial development in the city.

Passing City Council Resolution 2022-48 on May 2, 2022 will make this program available as an economic development tool to help attract new hotel development to Commerce City.

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

Staff Member Presenting: Michelle Claymore, Economic Development Director

Financial Impact: A share of future revenue generated from various development fees and/or the city's hotel and motel accommodations tax will be forfeited

Funding Source: Fee waivers and city tax rebates

Staff Recommendation: Support

Suggested Motion: *n/a - With Council's support, Resolution 2022-47 extending and expanding the commercial development fee waiver program and Resolution 2022-48 authorizing a lodging tax rebate program will be included on the consent agenda for the May 2, 2022 City Council agenda.*