



Arapahoe County

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Board Summary Report

File #: 23-670

Agenda Date: 12/5/2023

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To: Board of County Commissioners

Through: Michelle Halstead, Director, Commissioners' Office

Prepared By:

Kendra Davis, Management Analyst II, Commissioners' Office

Presenter: Kendra Davis, Management Analyst II, Commissioners' Office

Subject:

1:00 PM *Arapahoe County Incentive Payment Agreement Proposal

Purpose and Request:

The purpose of this study session is to provide a proposal for the County's incentive payment agreement program and receive feedback and direction from the Board on expectations and policies for the program.

Background and Discussion: In Colorado Revised Statutes Sec. 30-11-123 provides one of very few economic incentives that the Board of County Commissioners (the "Board") can utilize for new and expanded businesses in the unincorporated area. The Board can enter into an incentive payment agreement with either a new business facility as defined in CRS Sec. 39-30-105.1(6)(b), or a taxpayer who expands a facility as defined in CRS Sec. 39-30-105.1(6)(e) for an annual incentive payment or credit.

When originally enacted, the statute allowed for the County to enter into an incentive payment agreement to refund up to 50% of the personal property taxes levied by the County (the County's mill levy) paid by the taxpayer in relation to the personal property taxes at the new business facility or at the expansion of the business facility and only for a term of 4 years. Over the years the statute has been amended to increase the amount of refund and length of time. Currently, the statutes authorize an incentive payment not to exceed 100% of personal property taxes levied by the County for a period not to exceed thirty-five (35) years. The incentive payment is a refund of a portion of the business personal property tax levied by the County and paid by the taxpayer.

The County's incentive payment program (the "Program") only uses the incentive payment with reimbursement option. Historically, the incentive payment reimbursement considered by the Board is typically for one hundred (100%) percent of the business personal property taxes paid by the business. More recently the Board has agreed to a fifty (50%) percent reimbursement. The term is typically for five (5) years with a County option to extend for an additional five (5) years. The incentive payment agreement is set up such that (1) the business pays its business personal property taxes, (2) the business submits a request for the incentive payment, and (3) the business has filed the necessary personal property declaration schedules with the Assessor's Office for the current tax year.

The County partners with local economic development agencies, Denver South and the Aurora Economic Development Council, who bring businesses forward to the Board for consideration to be part of the Program. Historically the Board has preferred businesses that employ numerous employees with higher end (management/executive) salaries.

The County has entered into multiple incentive payment agreements over the years. Currently, there are ten agreements with seven businesses for ten locations. The budget for the Program since 2007 is in the attached presentation. The budget included in the proposed 2024 budget is \$450,000. The County has historically increased the budget based on actuals from previous years.

During study sessions on June 21, 2022, and February 7, 2023, the Board approved increasing the budget for the current requested reimbursements and entered into a discussion with staff and economic development partners about the structure of the program and future adjustments.

Based on discussion at the study session on February 7, 2023, staff has developed a proposal to formalize the process for incentive payment agreements and options for the Board to consider moving forward. Staff will present the details of the proposal, including any feedback from economic development partners, during the study session.

Fiscal Impact: The proposed budget for 2024 is \$425,000. The future fiscal impact of this proposal is dependent on the option chosen by the Board and the active incentive payment agreements that have already been approved.

Alternatives: The BOCC could elect to move forward with the following options or recommend an alternative option:

1. **Option 1** - given the County's budget challenges, place a temporary freeze on new incentive payment agreements (with limited exceptions) and re-evaluate options for adjustment in the future (*staff recommendation*).
2. **Option 2** - continue to accept all applications for incentive payment agreements, evaluate on a case-by-

case basis and adjust budget based on request approvals (*consistent with past practice*).

- 3. Option 3** - create a limit on the incentive payment agreement program, continue to accept all applications, and evaluate on a case-by-case basis within the defined limit.

Alignment with Strategic Plan:

- ☒ Be fiscally sustainable
- ☐ Provide essential and mandated service
- ☒ Be community focused

Staff Recommendation: Given the budget challenges facing Arapahoe County in 2024 and the existing incentive payment agreements that have already been approved by the Board, staff recommends placing a freeze on new incentive payment agreements (with limited exceptions as defined by the Board) and re-evaluating the program in the future.

Concurrence: This proposal and recommendation has been developed in coordination with the Finance Department, County Attorney's Office and the County's economic development partners, Denver South and Aurora Economic Development Council.