

The State of Colorado
The Colorado Economic Development Commission
&
The Office of Economic Development & International Trade

Report to the Colorado General Assembly
on the Rural Jump-Start Zone Program
For Fiscal Year 2016-17

This report was originally submitted to the Colorado General Assembly in November of 2017, and amended and re-submitted on February 27, 2018. The report was amended with the addition of two tables of benefits detail, which are found on pages 7 and 8. No other text has been changed.

Executive Summary

The Colorado Rural Jump-Start Zone program provides tax relief to New Businesses (defined below) and New Hires (defined below) of these businesses that are located in certain economically distressed areas of rural Colorado. Companies participating in the Rural Jump-Start program must have a relationship with a local or regional state higher education institution, must be new to Colorado, and must not compete with an existing Colorado business. As of June 30, 2017, nine companies have been approved for participation in the Rural Jump-Start Zone program, anticipating the creation of 263 new jobs. These companies are based in Mesa and Montrose Counties, and include a company doing research on oil shale, a developer of a biodegradable, recyclable plastic, and a company offering advanced laboratory analytics.

The Rural Jump-Start Zone program is housed in the Office of Economic Development and International Trade (OEDIT). Details on the Rural Jump-Start program may be found at www.choosecolorado.com/rjs

Program History

The Colorado Rural Jump-Start Zone program (created with SB 15-282 and found in C.R.S. 39-30.5-101) was signed into law by Governor John Hickenlooper on May 13, 2015.

The Rural Jump-Start Zone program started accepting applications in January, 2016, and the first two zones and the first three companies were approved by the Colorado Economic Development Commission (EDC) in February of 2016. By statute, the program may not approve any new zones or new businesses after December 31, 2020.

Benefits of the Program

All New Businesses that are approved by the EDC for participation in the program receive the following benefits:

- Relief from state income taxes. Such relief will take the form of a tax credit certificate, and will be administered by OEDIT.
- Relief from the state sales & use tax paid by the company. Such relief will take the form of a refund, and will be administered by the Colorado Department of Revenue. (Note that as a refund, this tax will first have to be paid, and the refund applied for separately.)
- Relief from county business personal property taxes. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the county.
- Relief from municipal business personal property taxes. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the municipality.

All New Hires that are approved by the EDC for participation in the program receive the following benefits:

- Relief from state income taxes. Such relief will take the form of a tax credit certificate, and will be administered by OEDIT.

Other Notes

The Rural Jump-Start Zone program is exclusively for businesses designated as New Businesses, and does not offer any tax relief to existing businesses.

Companies approved to participate in the Rural Jump-Start program receive four years of tax relief, commencing on the date the company is approved by the EDC to participate in the program. After the initial four year benefit period, a company may apply to the EDC for an extension of the benefit period of up to four more years, for a total possible benefit period of eight years.

Summary of the Participants and Their Roles

The Colorado Economic Development Commission (EDC)

The EDC is charged with approving the rules and structure of the program, as well as reviewing the creation of zones and all applications for participation and benefits.

The Colorado Office of Economic Development and International Trade (OEDIT)

OEDIT is responsible for the day to day administration of the program. All applications are reviewed by OEDIT, then put before the EDC for approval.

The Colorado Department of Revenue

The Department of Revenue is responsible for approving all tax credits issued by OEDIT for the business exemption from Colorado income tax and the employee exemption from Colorado income tax. The Department of Revenue is also responsible for administering the refund for the sales and use tax for the business.

The Counties

The county is a necessary part of the program, as the county must pass a resolution eliminating the business personal property tax on all Rural Jump-Start businesses in the zone. If the county does not pass this resolution, no zone can be created in that county.

The county and the municipality are responsible for administering the exemption from business personal property tax.

List of Eligible Counties

The EDC has determined that the following counties are economically distressed for the purpose of the Rural Jump-Start Zone program as of June 30, 2017:

Alamosa, Archuleta, Baca, Bent, Chaffee, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Fremont, Garfield, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Las Animas (has formed RJS zone), Lincoln, Logan (has formed RJS zone), Mesa (has formed RJS zone), Mineral, Moffat (has formed RJS zone), Montezuma, Montrose (has formed RJS zone), Morgan, Otero, Ouray, Park, Phillips, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt (Steamboat Springs not eligible for inclusion), Saguache, San Juan, San Miguel, Sedgwick, Washington, Yuma

Pitkin County met the metrics for inclusion in 2017, but was not included as an eligible county due to the fact that it is not the target profile of a Rural Jump-Start participant.

The Institutes of Higher Education (IHE)

The Institutes of Higher Education play a crucial role in the program. Every application for the creation of a zone must be put forward by an IHE, and every application from a business for both business benefits and employee benefits must be approved by an IHE.

Every IHE participating in the program must designate a person to administer the program, and must dedicate resources to administer the program successfully.

In the course of approving the business applicant, the IHE must attest to the following stipulations:

- The relationship will result in positive benefits to the community and the local economy.
- The mission and activities of the new business align with or further the academic mission of the state IHE.

Any business that does not meet these stipulations cannot be approved by the IHE.

The Municipalities

To create a zone in a municipality, the municipality must pass a resolution approving tax exemption. This resolution can be either a general resolution for all businesses or a limited resolution naming specific businesses.

No municipality can be forced to participate in the program, and a municipality is not enrolled in the program simply because its county is.

The county and the municipality are responsible for administering the exemption from business personal property tax.

The Local Economic Developers

Local economic developers are an important part of this program. These groups are expected to work closely with the IHE, the county, the municipality, and the business in making sure that program is a success.

The Applicant Businesses (the New Business)

In order to participate in the Rural Jump-Start Zone program, a business must meet the statutory definition of “New Business.” By statute, a qualifying business:

- Cannot be operating in the state at the time it submits its application to a state institution of higher education to participate in the program
- Cannot be moving existing jobs into the rural jump-start zone from another area in the state
- Must hire at least five people who qualify as New Hires
- Must not be substantially similar in operation to and not directly compete with the core function of a business that is operating in the state at the time the new business submits its application to participate
- Adds to the economic base and exports goods and services outside the distressed county

A business must also be a new business, defined as

- A startup not yet operating, or
- A business based outside Colorado, not currently operating in Colorado, or
- A new joint venture between companies which may or may not be currently operating in Colorado, or
- A newly created division of a company. The company may or may not be operating in Colorado at the time it creates the division. Furthermore, the new division does not need to have a separate tax ID number or corporate structure from its parent.

Businesses applying to the Rural Jump-Start Zone program must pick an IHE to work with. This IHE will act as the business's partner and reviewer. No application from a business will be reviewed by the EDC unless it has first been approved by an IHE.

Every business in the Rural Jump-Start Zone program is required to submit a business plan that details, among other things, its market, product, service, and value proposition. Any significant deviation from the business plan would make the company subject to additional review by the EDC, to ensure that it is in compliance with all requirements of the program.

Businesses participating in the program must report annually to the EDC. Businesses must apply for their own tax benefits, as well as the tax benefits of their employees.

The Competition Clause

Any company that applies to the Rural Jump-Start Zone program must attest that it is not substantially similar in operation to and does not directly compete with the core function of a business that is operating in the state at the time the new business submits its application to a state institution of higher education. In the course of reviewing the application, OEDIT will determine if any potential direct competitors exist in the state. If OEDIT determines that there are potential direct competitors, the business will be asked to show that it is not directly competing with these businesses. At this point, OEDIT will conduct an in-depth review to determine whether or not the applicant is directly competing with an existing business in Colorado. Any applicant that is found to be directly competing with an existing business will be denied.

The New Hires

New hires do not apply for program benefits directly. Instead, the New Business must apply for program benefits on their behalf. The employer is required to submit the names of all New Hires who are eligible for the program. In the case where there are more New Hires than tax credits allocated, the tax credits will be allocated to the New Hires on a first-come, first served basis based on hire date.

New Hires must be full time, W-2 employees who are making more than the county average wage. New Hires must also work for the business for six months before they start to receive tax exemption.

New Hires approved by the EDC will receive four years of tax benefits. At the end of this initial benefits period, businesses have the option of applying to the EDC for an additional four years of benefits for themselves and their new hires.

Program Performance

Rural Jump-Start Zones as of June 30, 2017

Zone Name	Date Approved by EDC	Municipalities Included
Mesa County	February 11, 2016	Grand Junction, Fruita, Palisade
Las Animas County	March 17, 2016	Trinidad
Montrose County	May 19, 2016	Montrose, Nucla, Naturita, Olathe
Logan County	May 19, 2016	Sterling
Moffat County	March 16, 2017	Craig

Tax Exemptions Issued in FY 2016-17

Category of Tax Exemption	Certificates Issued
New Businesses	Three (Colorado Clean, TSW Analytics, ProStar Geocorp)
Owners of Pass-through New Businesses	Six (One to Kaart, Five to Qmast)
New Hires	Seven (Five to ProStar Geocorp, Two to Kaart)

The Rural Jump-Start Zone program issues tax exemption certificates on a calendar year basis.

Businesses Approved to Participate in the Rural Jump-Start Program

As of June 30, 2017

New Business Name	RJS Zone	Sponsoring IHE	Date Approved by EDC	New Hire Allocation
Colorado Clear ASW	Mesa County	Colorado Mesa University	February 11, 2016	37
TSW Analytics	Mesa County	Colorado Mesa University	February 11, 2016	20
ProStar Geocorp	Mesa County	Colorado Mesa University	February 11, 2016	29
Rebco	Mesa County	Colorado Mesa University	May 19, 2016	30
Qmast	Mesa County	Colorado Mesa University	June 16, 2016	50
Kaart Group	Mesa County	Colorado Mesa University	June 16, 2016	8
General Synfuels	Mesa County	Colorado Mesa University	July 20, 2016	30
BioComp USA	Montrose County	Colorado Mesa University	January 19, 2017	25
Adaptive Towers	Mesa County	Colorado Mesa University	April 20, 2017	34
Count = 9				263

The New Hire allocation is the maximum number of New Hires who may claim tax exemption during the time the company is participating in the program.

Estimates of Value of Benefits

The companies in the Rural Jump-Start Zone program that submitted reports estimated the following values to their program benefits. Companies that did not submit reports did not receive program benefits.

Company	Number of New Hires	Estimated Value of Income Tax Credit	Estimated Value of Sales Tax Refund	Estimated Value of Incentives by Local Govts	Estimated Value of Tax Exemption to New Hires
Colorado Clear	0	\$2,280	\$600	\$0	\$2,800
Kaart Group	2	\$0	\$675	\$0	\$2,242
ProStar Geocorp	5	\$0	\$2,500	\$2,260	\$12,000
Qmast	0	\$0	\$0	\$0	\$0
TSW Analytics	0	\$0	\$0	\$0	\$0

Wages of New Hires

The companies in the Rural Jump-Start Zone program that had employees that qualified as new hires reported the following wages. If the actual wages for the employee were for a partial year, the wages were annualized on a daily basis.

Company Name	Employee Name	Annualized Salary
ProStar Geocorp	Redacted	\$54,013
ProStar Geocorp	Redacted	\$89,219
ProStar Geocorp	Redacted	\$90,083
ProStar Geocorp	Redacted	\$84,052
ProStar Geocorp	Redacted	\$114,702
Kaart	Redacted	\$51,290
Kaart	Redacted	\$78,820

Company Descriptions

Colorado Clean ASW of Palisade has developed a microbial biodegradable and recyclable bioplastics technology called Amphora Film. Amphora Film will initially be used for a water container, reducing the amount of plastic water bottles ending up in landfills each year.

TSW Analytical is an Australian company that is expanding into North America with a new Grand Junction office. TSW is a scientific, investigation and analytical laboratory service business. Key service areas include forensic science services, investigation services, food forensics, mineral chemistry and geochemical exploration.

ProStar Geocorp Inc is a Software as a Services (SaaS) company based in Grand Junction that is focused on providing the energy industry with multi-vendor integrated geospatially intelligent software solutions to improve the accuracy, content and effectiveness of pipeline asset management data.

Rebco has designed a hydroponic pot called the Hydropot. The Hydropot is a low energy, self contained, soilless growing system that recycles water. They plan to manufacture this product in Mesa County.

Qmast has developed a patented technology to enhance the production of oil shale via high powered microwave systems. They plan to manufacture these systems in Mesa County.

KAART Group collects geophysical data in the form of street-view imagery via on-the-ground surveys of local areas. This data is then post-processed in vector geographic data. They focus on collecting data in developing countries.

GSI has developed a patented, environmentally friendly, energy-self-sustaining and economically attractive process to recover oil and gas products from oil shale. GSI intends to demonstrate its technology in the field through a commercially scalable prototype, which is under development.

Bio-Comp USA intends to manufacture building materials out of a bio-composite cement. They plan to focus on four market segments of residential building materials: Precast panels for interior walls, Board for exterior siding, Basalt-based wallboard (interior), and Roofing tiles. These will be marketed as high end products.

Adaptive Towers has designed a self-standing, self-supporting, rapid-deployment movable steel communications tower for use in remote areas. This tower is expected to serve farmers and ranchers, oil & gas drillers, and the military.

Other Metrics

As stated above, the New Hire allocation is the maximum number of New Hires that a New Business may claim in its initial four year benefits period. It is expected that the number of New Hires in 2017 will be greater than the New Hires in 2016, but below the allocated amount.