



COLORADO
Office of Economic Development
& International Trade

REPORT TO THE COLORADO GENERAL ASSEMBLY ON THE RURAL JUMP-START ZONE PROGRAM

FOR FISCAL YEAR 2019-20

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

EXECUTIVE SUMMARY

The Colorado Rural Jump-Start Zone program provides tax relief to businesses and employees of these businesses that are located in designated economically distressed areas of rural Colorado. The program is managed by the Colorado Economic Development Commission, administered by Office of Economic Development and International Trade, and implemented in conjunction with local colleges and economic developers.

14 companies are participating in the Rural Jump-Start Zone program as of June 30, 2020. These companies are based in Mesa, Montrose, Routt and Logan Counties and include companies engaged in businesses such as prosthetic manufacturing, geographical information systems, subscription hearing aid services, outdoor low consumption showers, designer/manufacturers of ultra- efficient energy homes and more.

As of June 30, 2020, 16 counties have formed Rural Jump-Start zones, and 24 more counties were eligible to form zones but have not done so.

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 codified 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 or employees.

- 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

Any county designated as economically distressed must pass a resolution eliminating the business personal property tax on all Rural Jump-Start businesses to become a Rural Jump-Start 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.

Counties that have formed a Rural Jump-Start Zone as of June 30, 2020:

Archuleta, Clear Creek, Delta, Dolores, Fremont, Las Animas, Logan, Mesa, Moffat, Montezuma, Montrose, Otero, Prowers, Rio Blanco, Routt, San Juan.

Counties Designated by the EDC as Economically Distressed and therefore Eligible to Apply for the Rural Jump-Start Program as of June 30, 2020:

Alamosa, Baca, Bent, Cheyenne, Conejos, Costilla, Crowley, Custer, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Lincoln, Mineral, Morgan, Phillips, Pueblo, Rio Grande, Saguache, Sedgwick, Washington, Yuma.

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 IHE 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.

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.

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. 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. Any applicant that is found to be directly competing with an existing business will be denied.

The New Hires

The New Business applies for program benefits for New Hires and 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.

SUMMARY OF THE PARTICIPANTS AND THEIR ROLES

Rural Jump-Start Zones as of June 30, 2020

Zone Name	Date Approved by EDC	Sponsor IHE	Municipalities Included
Archuleta County	9/21/2017	Pueblo CC	None
Clear Creek County	8/15/2019	Red Rocks CC	None
Delta County	9/21/2017	CMU	Delta, Hotchkiss, Cedaredge, Orchard City, Paonia
Dolores County	9/21/2017	Pueblo CC	None
Fremont County	1/16/2020	Pueblo CC	None
Las Animas County	3/17/2016	Trinidad State Jr College	Trinidad
Logan County	5/19/2016	Northeastern Jr College	Sterling
Mesa County	2/11/2016	CMU	Grand Junction, Fruita, Palisade
Moffat County	3/16/2017	Colorado Northwestern CC	Craig
Montezuma County	9/21/2017	Pueblo CC	None
Montrose County	5/19/2016	CMU	Montrose, Nucla, Naturita, Olathe
Otero County	4/18/2019	Otero Jr College	La Junta
Prowers County	7/19/2018	Lamar CC	Lamar, Granada
Rio Blanco County	9/21/2017	Colorado Northwestern CC	Meeker, Rangely
Routt County	2/15/2018	Colorado Northwestern CC	Steamboat Springs, Hayden, Yampa, Oak Creek
San Juan County	9/21/2017	CMU	Silverton

CC = Community College

CMU = Colorado Mesa University

Active New Businesses as of June 30, 2020

New Business Name	Sponsoring IHE	RJS Zone	Date Approved by EDC	Tax Year of First Tax Exemption Certificate
ProStar GeoCorp	CMU	Mesa	Feb 11, 2016	2016
Kaart Group	CMU	Mesa	Jun 16, 2016	2016
Adaptive Towers	CMU	Mesa	Apr 20, 2017	2018
Phoenix Haus	CMU	Mesa	Dec 21, 2017	2018
Rocky Mtn Manufacturing	CMU	Mesa	Dec 21, 2017	2018
Dude Solutions	CMU	Mesa	Sep 20, 2018	2018
Foothills Housing	CMU	Mesa	Feb 21, 2019	2019
Violet Gro	CMU	Mesa	Jun 20, 2019	2019
HearO Club	CNCC	Routt	Jul 17, 2019	n/a
FHE	CMU	Mesa	Sep 19, 2019	2019
Geyser Systems	CMU	Montrose	Dec 19, 2019	2019
Certek Heat Systems	CMU	Mesa	Mar 19, 2020	n/a
Jabil	CMU	Mesa	Mar 19, 2020	n/a
Docupots	NEJC	Logan	Jun 18, 2020	n/a

Estimates of Value of Benefits issued in FY 2019-20

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 Name	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
Adaptive Communications		\$576	\$1,094	\$23,374	\$2,847
Dude Solutions		\$0	\$0	\$0	\$0
FHE Fraclock		\$0	\$0	\$14,577	\$0
Geyser Technologies		\$180	\$180	\$0	\$0
HearO Club		\$0	\$0	\$0	\$0
Kaart Group	8	\$8,000	\$300	\$0	\$14,000
Phoenix Haus		\$2,952	\$1,300	\$4,935	\$8,230
Pierce Corporation		\$0	\$0	\$40,000	\$2,100
ProStar Geocorp		\$0	\$4,500	\$4,500	\$25,000
Rocky Mountain Manufacturing		\$8,000	\$1	\$4	\$8,000
Violet Gro		\$0	\$0	\$0	\$0

Wages of New Hires in Calendar Year 2019

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.

<u>Company Name</u>	<u>Annualized Salary</u>
Adaptive Communications	\$45,720
Adaptive Communications	\$50,510
Dude Solutions	\$50,897
Dude Solutions	\$44,182
Dude Solutions	\$109,282
Dude Solutions	\$48,176
Dude Solutions	\$109,503
Kaart Group	\$72,687
Kaart Group	\$45,001
Kaart Group	\$34,170
Kaart Group	\$35,698
Kaart Group	\$39,524
Kaart Group	\$54,882
Kaart Group	\$58,934
Kaart Group	\$127,200
Phoenix Haus	\$45,187
Phoenix Haus	\$46,929
Phoenix Haus	\$51,037
Pierce Corp	\$78,825
Pierce Corp	\$57,888
ProStar Geocorp	\$47,260
ProStar Geocorp	\$119,220
ProStar Geocorp	\$55,776
ProStar Geocorp	\$74,809
ProStar Geocorp	\$52,860
ProStar Geocorp	\$56,250
ProStar Geocorp	\$107,964
ProStar Geocorp	\$53,976
ProStar Geocorp	\$54,616
ProStar Geocorp	\$56,042
ProStar Geocorp	\$56,250
ProStar Geocorp	\$60,162
ProStar Geocorp	\$89,545
ProStar Geocorp	\$158,416
Rocky Mountain Manufacturing	\$49,304
Rocky Mountain Manufacturing	\$61,692

Company Descriptions

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.

Certek Heat Systems is the leader in innovative alternatives to conventional portable heating methods used in today's most common industries.

Docuputs is a manufacturer of biodegradable pots

Dude Solutions offers cloud-based energy management software for work flow and asset management.

FHE has created FracLock, which is a remote quick connect system to control pressure in the fracking of oil and gas wells

Foothills Housing has automated Manufacturing of multifamily housing and hotels

Geyser Systems designs outdoor low consumption showers

HearOClub offers a new system for subscription hearing aid batteries Jabil has manufacturing services for the aerospace and defense industries.

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.

Phoenix Haus is a manufacturer and technical innovator of super energy efficient prefabricated homes/dwellings.

ProStar Geocorp is a Software as a Services (SaaS) company 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.

Rocky Mountain Manufacturing is a proprietary prosthetic device manufacturer. The company received a patent on its device in March of 2017.

Violet Gro manufactures LED grow lighting for indoor agriculture.