

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Adapting to a Changing Regional Role: An Integrated, Proactive Approach to Economic Health

EXECUTIVE SUMMARY

The purpose of this item is to discuss updating the City's Business Assistance Package Policy to reflect and meet current (and future) economic times.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council agree that the economic challenges represented should be addressed?
2. Does Council support moving forward with an update of the business assistance policy?
3. What other trade-offs between economic competitiveness and other strategic priorities should staff consider?

BACKGROUND / DISCUSSION

Over several decades, the City of Fort Collins has advanced a series of economic health strategies to support a healthy, resilient local economy that strengthened Fort Collins' position as a regional employment and community.

Key milestones in the City's economic strategy include:

- **2005** – Adoption of the Economic Action Plan, establishing early priorities for economic development.
- **2012** – Council adopted **Resolution 2012-044**, approving the first Economic Health Strategic Plan ("2012 EHSP") and affirming the importance of primary employers to the local economy.
- **2013** – Council adopted **Resolution 2013-025**, creating the City's first Policy for Developing Primary Employer Business Assistance Packages and establishing a formal, performance-based, and equitable incentive process.
- **2019 & 2023** – Council adopted two subsequent updates to the Economic Health Strategic Plan, reflecting changing economic conditions and community priorities. **Resolution 2023-111** ("2023

EHSP") focused on advancing a more holistic and intentional approach to economic health, which includes targeted business attraction in specific industries.

The Business Assistance Package policy was developed to support earlier economic strategies and has not been comprehensively updated to reflect the City's current approach. It is now time to update and create tools to align with the 2023 EHSP to ensure the City can effectively support business growth, job creation, and be nimble to respond to changing economic conditions.

Regional Landscape

Fort Collins is in a period of economic transition. While the City has historically benefited from steady population growth, a vibrant local economy, and a strong regional identity, recent trends indicate increased competition, not only within northern Colorado, but other cities and states. Northern Colorado (Larimer/Weld Counties) continues to have strong population growth, significantly outpacing many parts of the U.S., with Weld County often leading in the State's growth. The growth in our neighboring communities within northern Colorado (population, jobs, sales tax revenue) can be attributed to land availability, affordability, diversity of workforce opportunities, access to the interstate/major corridors, favorable business climate, and a proactive business attraction and retail development strategy. Neighboring communities' economic development strategies focus on competing to attract retail development (especially along I-25) and primary employers.

Moreover, changes in consumer behavior- how and where people work- are altering traditional economic patterns. Currently, at least one of every three jobs in northern Colorado can be traced to the City of Fort Collins. While most of communities in northern Colorado are exporters of labor (meaning people leave their community to work elsewhere), Fort Collins is a net importer of labor (about 50,000 travel into the community for work). In retail attraction/development, the heightened competition for sales tax revenue, as well as the shifts in how consumers shop, is contributing to softer local sales tax revenues. In today's environment, businesses are actively being courted by other communities seeking to attract their expansions, potentially resulting in lost jobs and economic opportunity for the community. Together, these trends underscore the need for the City to adapt its approach to economic health and land use policy to remain competitive and resilient in a more dynamic regional economy.

PRIMARY EMPLOYMENT STRATEGY

2013 Process

The policy adopted in 2013 created a formal process for developing business assistance packages for primary employers that was predictable, equitable, created eligibility parameters, and ensured a performance-based approach to the assistance. The City offered three types of tools:

- 1) Private Activity Bond Financing;
- 2) Manufacturing Use Tax Rebates; and
- 3) Business Personal Property Tax Rebates.

All assistance packages were performance-based agreements designed to support and encourage new business development, business expansion, and relocations that either retained or generated net new primary jobs. EHO oversees all business assistance agreements to ensure compliance and performance before rebates are issued. All agreements must be approved by Council.

Issue

Since 2012, the City of Fort Collins has supported five business retention and expansion (“BRE”) projects under the Policy, resulting in significant economic benefits for the community. These projects have helped to retain 1,384 jobs, create 891 new jobs, and generated over \$551M in private capital investment. This reflects a shared commitment between the City and local employers to drive meaningful, result-oriented economic growth and community investment.

However, the tools have not been utilized since 2015 as their potential impact has waned. A few examples of why these tools have become less effective are:

- Reduction of Manufacturing Use Tax Rebate Opportunity: The Colorado nexus threshold impacting use tax eligibility (\$100,000 threshold for economic nexus), have reduced the amount of use tax collected, as this has moved to sales tax collection. There is no assistance policy on sales tax rebates.
- No City Business Property Tax Mill to Allocate: The agreement between the City of Fort Collins and Poudre Fire Authority (“PFA”) which established a funding formula where PFA received a portion of the City’s property tax collected within city limits. Therefore, there is no business property tax rebate to give.

The table below is the City, and neighboring communities, business incentive policy tools.

Table 1: Existing Primary Employer Business Incentives

	Fort Collins	Loveland	Greeley	Windsor	Colorado Springs
Manufacturing Use/Sales Tax	50% Use Tax Rebate (excludes research and development)	Sales Tax waived, deferred, or rebated	Deferral or Reduction	✗	50% of City’s Sales and Use Tax; 50% on annual machinery & eqpt
Construction Materials Use/Sales Tax	Only utilized on the Woodward project	Fees waived	Deferral or Reduction	✓	50% sales and use tax construction materials
Business Personal Property (BPP) Tax Rebate	50% of the City’s mills up to 7 years	50% not to exceed 10 years	50% of City’s mills on Real & Business Personal Property	50% of Town’s mills up to 10 years	100%
Cash Incentives	✗	✓	✓	✓	✓
Building Permit and/or Inspection Fee Waivers	✗	✓	✓	✓	✗
Capital Expansion Fees Waivers	✗	✓	✓	✓	✗
Expedited Review	✗	✓	✓	✓	✓

	Fort Collins	Loveland	Greeley	Windsor	Colorado Springs
Other	N/A	Incentives under \$30K can be done administratively; Public Infrastructure Reimbursements	Economic Development Incentive Fund (EDIF) grants, loans (below market), or forgivable debt; Public Infrastructure	Water/sewer tap fees, stormwater drainage fees; training grant up to \$10K; access to CDBG funds for infrastructure	N/A

A strategically designed business assistance policy can catalyze private investment in Fort Collins, driving job creation, opportunities for upward mobility, and increased sales tax revenue.

Updated Strategy for Primary Employers

The City's vision for a thriving economy can be better realized with tools for business retention, expansion, and attraction. Fort Collins' Business Assistance Package is currently outdated and would be more effective if it was updated to respond to changing community needs and dynamic economic conditions. Without modern economic development supports, we risk being less competitive as a community, potentially resulting in companies in our areas choosing other locations in which to invest and grow.

Potential Tools for Primary Employer Assistance Package

- Manufacturing Use and Sales Tax Rebate, including research and development – 50% of general fund tax
- Expedited Review
- Construction Materials Use and Sales Tax Rebate – 50% of general fund tax
- Building Permit Reduced Fees

Desired Outcome

A strategically designed business assistance policy can serve as a catalyst for further private investment in Fort Collins, creating jobs, opportunities for upward mobility, and sales tax revenue. By targeting support, the City can guide growth in alignment with community priorities while leveraging its competitive advantages in a way that benefits businesses and people. Together, these outcomes strengthen the local economy's resilience, foster long-term stability, and position Fort Collins for sustainable economic growth.

Foundational Conditions and Opportunities

Primary employers and Main Street businesses are interconnected yet serve distinct roles in a healthy local economy. Primary employers bring net new dollars into the community, which then circulate through neighborhood businesses. Additionally, a strong local retail and service sector enhance quality of life and help attract and retain both workers and employers. A durable economic growth strategy therefore requires coordinated support for both, and land use and regulatory tools that protect and enable commercial activity in key locations.

EHO advances this approach by coordinating local, county, and state incentives through regional partnerships, while deploying place-based tools such as the expanded Fort Collins Enterprise Zone and the State's first CHIPS Zone. EHO also serves as a concierge for major expansion projects through

representation at the State's Economic Development Commission. Together, these efforts supported three primary employer expansions in 2024 and 2025, retaining 1,170 jobs and securing \$163.7 million in committed investment.

To ensure these investments continue to translate into long-term, community-wide economic benefit, land use policy must be integrated; for example, aligning commercial zone districts with the City's long-term economic and community goals, such as the 15-minute city. While Fort Collins zoning is broadly permissive and supports commercial development, the City's five commercial zone districts create confusion and currently function similarly in practice, particularly with respect to density and residential allowances. Reconfiguring these districts could better align regulations with intended retail and employment roles, support reinvestment and adaptation over time, and more effectively shape development outcomes.

RETAIL STRATEGY

Issue

Fort Collins lacks a cohesive, proactive retail incentive strategy as sales tax growth softens and neighborhood centers age. Brick and mortar retail has stagnated, while regional competitors increasingly use sales tax incentives to attract high value retailers. As a result, Fort Collins is losing regional market share, experiencing sales tax leakage, and missing reinvestment opportunities. Without a clear, City-led framework, retail investment remains inconsistent and misaligned with long term economic health and 15 Minute City objectives.

Retail Analysis

Sales tax is the City's primary discretionary revenue source, making retail performance central to fiscal sustainability. Over the past 15 years, regional peers have significantly outpaced Fort Collins in new retail development, often supported by incentives. Meanwhile, Fort Collins sales tax growth has been driven largely by online collections rather than physical retail expansion, signaling declining regional competitiveness.

Retail investment potential varies by location

- Regional Nodes, for example Front Range Village, drive sales tax and regional competitiveness.
- Neighborhood Centers, like Cedarwood Plaza, are grocery anchored and support neighborhood vitality and 15 Minute City goals.
- Neighborhood Strips, like Campus West Shops, serve local needs but offer limited regional fiscal impact. When structured as performance based, time limited, and capped, sales tax incentives responsibly leverage private investment using revenue that would not exist without the project. Peer cities routinely deploy these tools, placing Fort Collins at a competitive disadvantage without a comparable approach.

Table 2: Existing Regional Retail Business Incentives

	Timnath	Erie	Loveland	Northglenn	Berthoud
Type	Statutory town	Statutory town	Home rule city	Home rule city	Home rule city
Population	10,848	30,155	82,252	35,219	12,754
Policy or Ordinance	Enhanced sales tax incentive	Enhanced sales tax incentive	Retail development incentive	Enhanced sales tax incentive	Commercial and retail development incentive
Purpose	Economic development tool to support small business and redevelopment efforts in designated areas	New or expanding retail business	Fills or expands a retail need to bring net new sales tax, or is a redevelopment/infill project in a defined priority area	Establishment and/or expansion of retail sales tax-generating businesses	Encourage development and redevelopment of retail and commercial properties in the central business area; fill an identified retail gap; create infill or redevelopment along the Hwy 14 Ave. corridor; or create a live-work mixed-use development
Eligibility Criteria	Meets stated purpose	\$200,000 in new sales tax per year	Meets stated purpose	Meets stated purpose	Minimum investment of \$100,000 in building or equipment in first year after incentives awarded
Use of Funds	Building improvements, signage upgrades, significant redevelopment	Public or public-related purposes	Public improvements	Not specified	Waiver of construction sales and use taxes; sales tax rebates on a case-by-case basis; not to exceed 5% of total project budget
Maximum Incentive	Up to 50% of net new sales tax; maximum amount or term not specified	No more than 50% of net new eligible sales taxes	Sales tax rebates considered on a case-by-case basis	Shareback of up to 75% of incremental sales taxes over approved term	Facade improvement grants up to 25% of total costs, maximum \$10,000; public infrastructure reimbursements on a case-by-case basis

Other Incentives	Potential refunds on construction use tax or building permit fees	Potential reduction or waiver of application, permit, and/or development fees	Waiver of development fees, use taxes, capital expansion fees, or impact fees	Not specified	Not specified
Approval Authority	Town Board	Board of Trustees (public hearing)	City Manager approval below \$30,000; City Council above \$30,000 up to \$150,000 in one year	City Council	Town Board

Proposed Retail Strategy

Adopt a tiered, proactive retail incentive framework that aligns incentive scale with location, impact, and community benefit while maintaining fiscal discipline and transparency.

Core Elements

- Focus incentives on Regional Nodes and Neighborhood Centers, where outcomes most strongly support durable sales tax growth, reinvestment, and 15 Minute City objectives
- Use performance based, time limited, and capped incentives tied exclusively to new, project generated sales tax revenue
- Apply clear guardrails to ensure measurable public benefit, including sales tax growth or leakage reduction, redevelopment of existing sites, neighborhood access to daily needs, job quality, and infrastructure efficiency
- Maintain flexibility to respond to market conditions while avoiding overly prescriptive requirements
- Require Council approval for all incentive agreements

Potential Incentive Tools

Enhanced Sales Tax Incentive Program ESTIP

- Used for large scale regional retail attraction or redevelopment with significant infrastructure needs
- Typically 10 to 20 years, capped, and tied to sales tax increment
- May support a broader economic development reinvestment strategy

Simple Sales Tax Share Back

- A streamlined tool for neighborhood center redevelopment
- Shorter terms, typically 5 to 10 years
- Scalable participation aligned with 15 Minute City outcomes

Outcome

This framework enables Fort Collins to move beyond stabilization by restoring regional competitiveness, catalyzing reinvestment in existing commercial areas, strengthening neighborhood centers, and generating durable sales tax growth while maintaining accountability, predictability, and fiscal responsibility.

NEXT STEPS

If Council is aligned with the direction and approach outlined:

- City staff will incorporate Council feedback and proceed with developing the proposed Primary Employer and Retail Incentive Business Assistance Policy, which will include refinement of eligibility criteria, incentive tools, financial parameters, performance expectations, and evaluation metrics.
- City staff anticipates returning to Council in Q2-2026 with a proposed Business Assistance Policy for Primary Employers and Retail for further discussion, policy direction, and then consideration of adoption.

ATTACHMENTS

1. 2025 Fort Collins Retail Study (draft)
2. Presentation