

# AGENDA ITEM SUMMARY

City Council



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## STAFF

Jack Hill, Lead Specialist, Economic Health Office

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## SUBJECT

**Resolution 2026-079 Approving the Boundaries of a Proposed Expansion Area of the City to be Submitted to the Director of the Colorado Office of Economic Development for Designation as the Fort Collins CHIPS Zone Under the Colorado CHIPS Zone Act.**

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## EXECUTIVE SUMMARY

The purpose of this item is to extend the City’s designated CHIPS Zone to enhance opportunities to attract new companies or expand existing companies in Fort Collins whilst State and Federal tax incentives are still available. Pursuant to State and Federal laws and incentive programs, the City established a CHIPS Zone Designation in 2023 in areas with existing semi-conductor business activities and in areas where such activities were likely to occur via expansion or relocation of companies.

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## STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

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## BACKGROUND / DISCUSSION

In July 2022, Congress passed the CHIPS and Science Act of 2022 (the “CHIPS Act”) as part of President Biden’s economic plan to invest in America, stimulate private sector investments, strengthen domestic semiconductor manufacturing, fortify the economy and national security, and reinforce America’s chip supply chain. The United States invented the semiconductor but today produces about 10 percent of the world’s supply. Seventy-five percent of semiconductors are made in East Asia. The CHIPS Program Office was then formed within the National Institute of Standards and Technology (NIST) at the Department of Commerce.

Semiconductors, or chips, are tiny electronic devices that are integral to America’s economic and national security. These devices power tools as simple as a light switch and as complex as a fighter jet or a smartphone. Semiconductors power our consumer electronics, automobiles, data centers, critical infrastructure, and virtually all military systems. They are also essential building blocks of the technologies that will shape our future, including intelligence, biotechnology, and clean energy. (For additional information, please see resources and information published on the “Chips for America” website at <https://www.nist.gov/chips>). U.S. industrial transition creates opportunity to adapt to new and existing demands, solidify supplier diversity and supplier development in semiconductors.

In 2023, the Colorado General Assembly passed HB23-1260, the Advanced Industry and Semiconductor Manufacturing Incentives (the “CHIPS Zone Act”) to meet the requirement for Colorado’s participation in

the federal government's CHIPS Act. This cooperative state-federal program, designed to bring microprocessor manufacturing out of China and back to the U.S., is intended to create a refund mechanism allowing a state tax credit based on a specified project in the state for qualified investments, business facility employees, and experiential activity research, in the hopes of spurring direct investments from private companies to Colorado.

Historically, Colorado has struggled to contribute matching funds required to be competitive for federal grant programs. Colorado's CHIPS Zone Act created new state incentives, as well as modified existing state tax credits to maximize federal government funding for private businesses engaged in semiconductor manufacturing in Colorado.

Process:

- A local government/municipality must propose an area for designation as a CHIPS Zone (Zone). The tax benefits of the Zones are only available to taxpayers engaged in semiconductor manufacturing, as that term is defined under the CHIPS Act.
- Semiconductor and advanced manufacturers must apply to the Colorado economic development commission (EDC) for a refund certificate approving their project and setting the maximum amount of income tax credits the manufacturer may claim as a refund in connection with the project.

The establishment of a CHIPS Zone in Colorado is similar to Enterprise Zones (EZ) Program, which establishes an area in which there may be tax credits for qualified investments, new employment, and R&D activities. In designated EZ areas, businesses are eligible for state income tax credits and sales and use tax exemptions for specific business investments. Colorado currently has 16 designated enterprise zones, including one in Fort Collins.

The semiconductor and advance manufacturing industry provide quality jobs in the Fort Collins area. The Economic Development Administration defines a quality job as a job that exceeds the local prevailing wage for an industry in the region, includes basic benefits (e.g., paid leave, health insurance, retirement/savings plans) and helps the employee develop the skills and experience necessary to advance along a career path. Under the North American Industry Classification System (NAICS) 334 Computer and Electronic Product Manufacturing, Fort Collins has 19 companies that employ over 2,500 employees and contribute over \$100.6 million in direct payroll.

Colorado's CHIPS Zone Act was created to support semiconductor and advanced manufacturing in Colorado and requires the local jurisdictions to adopt resolutions for a CHIPS zone boundary for the State of Colorado's Economic Development Commission (EDC) to confirm. This zone is only available to taxpayers engaged in semiconductor manufacturing. The zone is industry specific versus company specific.

In 2023, Council, by approval of Resolution 2023-052, designated the current Fort Collins CHIPS Zone (see Attachments 1 and 2). City zoning of Employment, Harmony Corridor, and Industrial uses were the areas identified in the current Fort Collins CHIPS Zone to align with opportunities to develop semiconductor activities such as manufacturing, and research and development.

Resolution 2026-079, if adopted, would propose areas for an expanded Fort Collins Chips Zone to include additional commercial areas along I-25 between Mulberry and Prospect and direct the City Manager to prepare the necessary plans and proposals and to submit them to the Director of the Colorado Office of Economic Development for consideration of the EDC for approval.

## **CITY FINANCIAL IMPACTS**

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None.

## **BOARD / COMMISSION / COMMITTEE RECOMMENDATION**

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None.

## **PUBLIC OUTREACH**

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None.

## **ATTACHMENTS / LINKS**

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1. Resolution 2023-052 (copy)
2. Map of Current CHIPS Zone
3. Resolution 2026-079