

LOVELAND BUSINESS ROUNDTABLE

WHERE QUALITY OF LIFE AND PUBLIC POLICY INTERSECT



Loveland's Use of Economic Incentives

Policy White Paper

June 2023

How does Loveland use incentives for economic development?



When an employer considers relocating or expanding to a new region, the municipalities in the region stand to benefit from its economic vitality and employment potential. One way a city may “seal the deal” of landing a promising employer is through the use of economic incentives. Incentives may also be used to help existing local businesses grow in ways that will benefit the city’s economy through increased employment opportunities and revenue.

99% of U.S. cities now offer some type of financial incentive for private companies, although they vary across the country (Source: [BU Initiative on Cities](#)). The Colorado Municipal League’s [policy statement](#) on incentives supports them “to promote and encourage the rehabilitation and revitalization of local economies and downtowns.”

In this month’s white paper, Loveland Business Roundtable explores the use of incentives in local economic development. What types of economic incentives are effective and worthwhile, and what practices should be avoided? How effective is Loveland’s use of incentives in helping companies locate and expand within our community?

(photo source: Reporter-Herald)

Key definitions

Incentives:

- **Nonfinancial incentives** can include workforce training, infrastructure investment, fast-tracked processes, and access to development sites. (Source: [McKinsey](#))
- **Financial incentives** can include building fee waivers, sales tax rebates, cash incentives, public infrastructure reimbursements, and business personal property tax rebates.

Primary Employer:

a business or industry that produces goods or services for statewide, national, or international markets. The goods and services are exported to consumers outside of the region, resulting in a stream of new dollars coming into the local economy and ultimately a distribution of wealth through wages paid to employees, a stronger supply chain, and tax revenues. (Source: [Denver South](#))

How does Loveland use incentives?

Key points from the Loveland Economic Development 2023-2027 incentive policy:

- The City supports programs for small business development, creative entrepreneurship, technology incubation, and acceleration. It is important to remember that most Economic Development is targeted at retaining and growing existing Loveland businesses, and about 20% of the effort is focused on businesses outside the region.
- Any economic incentive or other commitment of City funds must be set forth in a written agreement approved by City Council (or by the City Manager if the incentive is valued at or below \$30,000). All incentives and other commitments under this policy must serve a public purpose, including but not limited to providing benefit to the citizens of Loveland. Furthermore, incentives will be considered only if the business has a proven gap in project financing to achieve a defined goal, or in order to move, start, or grow their business in the City of Loveland from outside the region.

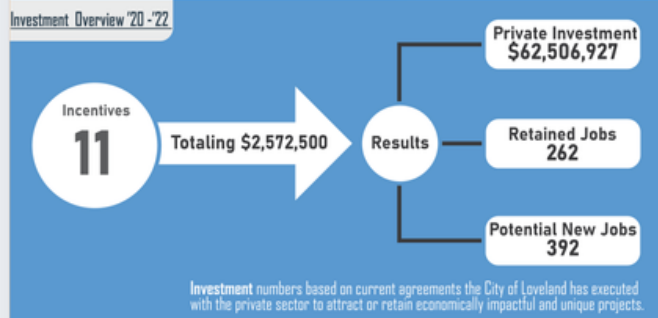
Economic Incentive Fund and Philosophy:

The Loveland City Council created an Economic Incentives Fund that is funded annually. The Council considers requests on a **case-by-case basis** in accordance with the guidelines and process below. Business assistance/incentives agreements are given to aid in location or expansion decisions. Incentives should be used **by exception**, when a firm can prove there is a gap in their financing and/or a public purpose. They are only considered when a firm can provide proof that they have a financial gap or strong case for an incentive prior to making their location decision and that they are making an economic contribution to the community. (emphasis added)

How does Loveland use incentives? (cont'd)

INCENTIVE HISTORY & RETROSPECTIVES

- We are one of the few Economic Development departments who conduct incentive retrospects



For every \$1 of public investment yielded \$24.2 of private investment

Incentives by size of employer since 2013

Employer Size (# Emp)	Incentives Awarded
250+	1
101-249	4
51-100	5
21-50	8
6-20	14
1-5	1
Total	33



- 19 incentives have been approved from 2017 – 2022
- 8 incentives are from the small business incentive fund
- Average incentive amount was \$153,909
- Average incentive amount without JAX \$79,126

source: Loveland Economic Development

The data slide above, from Loveland Economic Development, shows that the majority of local business incentives over the past decade have been granted to small businesses (6-20 employees), and that for every dollar of public investment, there was a return of \$24.20 in private investment.

Loveland Economic Development adds clauses to incentive agreements that require repayment of an incentive if the company fails to meet the projected goals, and/or if it leaves the community in a certain timeframe. The City also strives to only provide incentives that are performance-based, meaning the economic goal is met prior to an incentive being paid out.

How does Loveland use incentives? (cont'd)

Loveland has established the following incentive guidelines for consideration:

Primary employment incentives are available on a case-by-case basis to employers that generally export more than half their goods/services outside of Larimer County, otherwise known as "Primary Employers."

Existing businesses looking to expand workforce and/or production in the City and/or making considerable additions to capital or their physical location are eligible to request business expansion incentives.

The City will consider requests for retail development incentives where the project either fills or expands an identified retail need not being met in the City, and/or removes blight, and/or is a redevelopment/infill project or previously developed site.

The City is a member of a regional economic development ethics agreement that states it will not provide incentives to neighboring city's firms unless they can prove they have exhausted a search for real estate within that city and/or are considering expanding outside of the region.

Applicants must meet the majority of the following requirements:

- must be adding new jobs that pay above the county average wage per year.
- must be adding considerable physical space to existing footprint.
- retail development must fill an identified retail gap, remove blight, and/or create a redevelopment or infill opportunity in an identified priority area.

Incentives greater than \$30,000 require final approval from City Council. Incentives less than \$30,000 are subject to approval by the city manager. There is a \$150,000 annual cap on incentives in this category.

Case Study: Schlosser Signs



In 2022, Loveland's Schlosser Signs shared plans to consolidate operations into a new, bigger building, after expanding rapidly in its original location. The two buildings they had outgrown would become available for other Loveland companies in the light industrial sector. With the help of the economic development office, Schlosser Signs asked the city to waive their building permit fee and their city use tax during construction of the new building.

The terms of the agreement required that Schlosser make a \$3.9 million investment into their new building, and that they add 23 new jobs (averaging \$65,000/year plus benefits) over the next five years. In total, the amount of money requested from the city was about \$65,000. That amount was backfilled by Economic Development's incentive fund.

The size of the "ask" was modest, but it was critical to Schlosser's ability to build its new location. Schlosser is a primary employer, performing a large percentage of its sign work outside of Larimer County (most notably, installing signs of all sizes at Denver International Airport). The company brings revenue into Loveland from outside our area while providing good local jobs.

(Photo source: [Schlosser Signs](#))

Final Thoughts from Loveland Business Roundtable

While it is possible for cities and states to misuse economic incentives by failing to connect them with performance-based goals, that does not mean that the concept of incentives in local economic development should be rejected out of hand.

Done properly, economic incentives are used to create a healthy public-private negotiation that requires companies to demonstrate their value to the community by meeting specific, case-by-case targets. According to the findings of the last City of Loveland Incentive Retrospect in 2018, incentives provided from 2013 to 2018 resulted in total private investment of \$83.3 million - after the city gave just \$2.5 million in public incentives to those firms.

Based on the 2023-2027 Loveland Economic Development Incentive Policy, Loveland Business Roundtable supports the work that is being done to attract and expand the economic vitality that provides high-quality jobs to our dynamic city. (Photo source: Bobo's)

