

# Incentive for entertainment complex is one of the biggest offered in Colorado

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*The Denver Post*

POSTED: 06/22/2011 01:00:00 AM MDT

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Gaylord Entertainment Co.'s proposed Aurora hotel is set to receive a financial incentive package far higher than for any of its other hotels.

Nashville, Tenn.-based Gaylord stands to receive up to \$300 million in state and local rebates and incentives for a planned \$824 million, 1,500-room hotel and entertainment complex near Denver International Airport.

Among Gaylord's four other convention-center hotels across the country, the largest subsidy it has received was \$145 million from Prince George's County for the 2,000-room Gaylord National hotel in Maryland.

Aurora officials say the new development will be a prestigious economic powerhouse, more than justifying the tax rebates it will receive.

"There are great benefits this project can bring," said Aurora Mayor Ed Tauer. "It helps bring new people and new dollars into Colorado."

Tauer said the hotel's construction workforce will peak at 1,500.

Permanent, full-time hotel employment will be 1,500. The hotel is expected to generate a profit of \$58 million a year by 2025, according to a feasibility report.

Public subsidies for the hotel will be in the form of tax-increment financing. Most of the new property, sales and lodging taxes generated by the hotel will be rebated to Gaylord for 25 to 30 years.

The tax-increment financing has two main components:

- Rebates from the city of Aurora totaling up to \$25 million to \$30 million a year. All of the hotel's city sales taxes and lodging taxes would be rebated to Gaylord, and a portion of the higher property tax generated by the hotel's development also would be refunded.

The rebates either could be paid to Gaylord on an annual basis as they accrue, or Aurora could issue bonds in order to give Gaylord a lump-sum payment, with future tax revenues designated to pay off the bonds. If the project severely foundered, Aurora would have a nonbinding "moral obligation" to cover bond payments.

Tauer said it hasn't yet been decided if the city will issue bonds.

- Similar rebates from the state of Colorado based on the amount of state sales taxes generated by the project.

Aurora will apply for funding under the Colorado Regional Tourism Act. If granted, the rebates to Gaylord would average about \$5.6 million a year for up to 30 years.

The estimated \$300 million in state and local incentives would be one of the largest ever granted in Colorado for a privately owned project.

### **Frugal with incentives**

Colorado typically has been noncompetitive with other states in financial incentives, relying instead on quality of life and the state's educated workforce to attract new businesses or expansions.

For example, kidney dialysis giant DaVita will receive a maximum of \$5.3 million in state income-tax credits for relocating its 1,000-worker headquarters from California to Denver.

Denver in 2006 offered United Airlines incentives worth \$9 million in an unsuccessful bid to lure United's headquarters.

In 2001, Denver and Colorado offered a combined \$16 million in incentives for another unsuccessful offer to land Boeing's headquarters.

### **Too much promised?**

Economic development analysts were mixed on the need to offer Gaylord a large subsidy package.

"On the surface, it looks like a valid move that makes economic sense," said Bob McGowan, a management professor at the University of Denver. "It will bring new people into Colorado, and the good thing about this one is that we're not competing against other states."

But economic-development researcher and University of Southern Mississippi professor Mark Miller said big subsidies sometimes fail to deliver on their promised results.

"Just about everyone is out there offering fat incentive packages," Miller said. "Just about any serious economic-development researcher, though, will tell you that there isn't much evidence that they actually create much economic development."

"They do create a big political splash, though, which is why we keep doing them. Of course, you could help a lot of local small businesses with \$300 million in incentives, but that doesn't add up to the same sort of political and media splash."

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