



CHIPS Zone

Proposed Designation in Colorado Springs

Colorado Springs City Council Work Session

10/27/2025

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Presentation Overview



- Background Information
- CHIPS Zone Overview
- Enterprise Zone Considerations
- Economic Development Strategies
- Proposed Resolution
- Proposed Boundaries
- Staff Recommendation
- Next Steps
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Background Information



- The CHIPS Zone Program is a State of Colorado incentive program, managed by the Global Business Development Division at the Colorado Office of Economic Development & International Trade (OEDIT).
- Created through House Bill 23-1260 to maximize incentives available to eligible semiconductor and advanced manufacturing companies in Colorado.
- Goal: To enhance and strengthen the efforts to attract advanced manufacturing companies and to retain existing sector businesses in the state.
- Local municipalities must apply for a CHIPS Zone for their respective area.

CHIPS Zone Overview



- Taxpayers in semiconductor manufacturing - defined as “the fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture or enhance semiconductors, or semiconductor manufacturing equipment” - can access the following state income tax credits from the Enterprise Zone Program:
 - \$1,100 New Employee Tax Credit
 - 3% Research and Development Tax Credit
 - 3% Investment Tax Credit
 - 1.5% Commercial Vehicle Investment Tax Credit
 - 12% Job Training Tax Credit

CHIPS Zone Overview



- Approval would enable businesses to apply for tax credits through the State of Colorado under state law.
- The program does not affect:
 - City zoning
 - City overlays
 - City land use
- There are no fiscal impacts to the municipality. The program does not require financial support from the City.
- The program is a tool to attract and retain eligible companies in the specified sectors.

CHIPS Zone Overview



- OEDIT's CHIPS Zone Administrator will review and evaluate all CHIPS Zones every five years, including:
 - Any zones in which no companies have pre-certified or claimed credits
 - Recommend whether or not these Zones should expire in consultation with the EDC.
- Communities may request a renewal of the Zones for an additional five-year period on the condition that they provide documentation or evidence to establish the necessity of the Zone's continued existence for their economy or community.
- CHIPS zones may be modified or terminated at the discretion of the EDC between income tax years 2023 and 2040; however, all CHIPS zones will terminate as a matter of law on December 31, 2040.

Enterprise Zone Considerations



- Enterprise Zone (EZ) is a state income tax credit incentive program that encourages business growth and retention in economically distressed areas.
 - Unemployment rate at least 25% above the state average
 - Per capita income less than 75% of the state average
 - Population growth rate less than 25% of the state average (rural areas only)
- The EZ is redesignated every 10 years.
- New EZ boundaries will take effect on January 1, 2026.
- Many existing Pikes Peak EZ areas will remain in the new boundaries, while some existing areas and parcels will graduate out of the EZ.

Enterprise Zone Considerations



- CHIPS Zone boundaries cannot overlap with EZ boundaries.
- Certain local businesses are either not within the Pikes Peak EZ, or will be graduating out of the current EZ boundaries, effective January 1, 2026.
 - Certain businesses who are currently utilizing the EZ state income tax credits can no longer earn these tax credits.
- If a CHIPS Zone is approved, taxpayers engaged in semiconductor-related business activities within the approved Zone can access many of the state income tax credits from the EZ program.
- If a business is already located in an EZ, they do not need to be incorporated into a CHIPS Zone.

Economic Development Strategies



The economic development teams at the City, El Paso County, and Chamber & EDC are collaborating to seek a CHIPS Zone in Colorado Springs to:

- Retain existing advanced manufacturing companies in Colorado Springs.
 - Incentivize existing companies to stay and expand in Colorado Springs by utilizing either the Enterprise Zone or CHIPS Zone.
- Attract new advanced manufacturing companies with a new incentive and enhance efforts.
 - CHIPS Zone would incentivize business growth in areas that are not in the EZ and are already zoned for advanced manufacturing uses.

RESOLUTION



Proposed CHIPS Zone Resolution

Resolution



- Approve the boundaries of the proposed area of the city to be submitted to the director of the Colorado Office of Economic Development for designation as a CHIPS Zone under the Colorado CHIPS Zone Act.
- Delegate authority to the Mayor to seek future modifications of the boundaries of the Proposed Zone, once it is designated as a CHIPS Zone, within the City of Colorado Springs.

PROPOSED BOUNDARIES



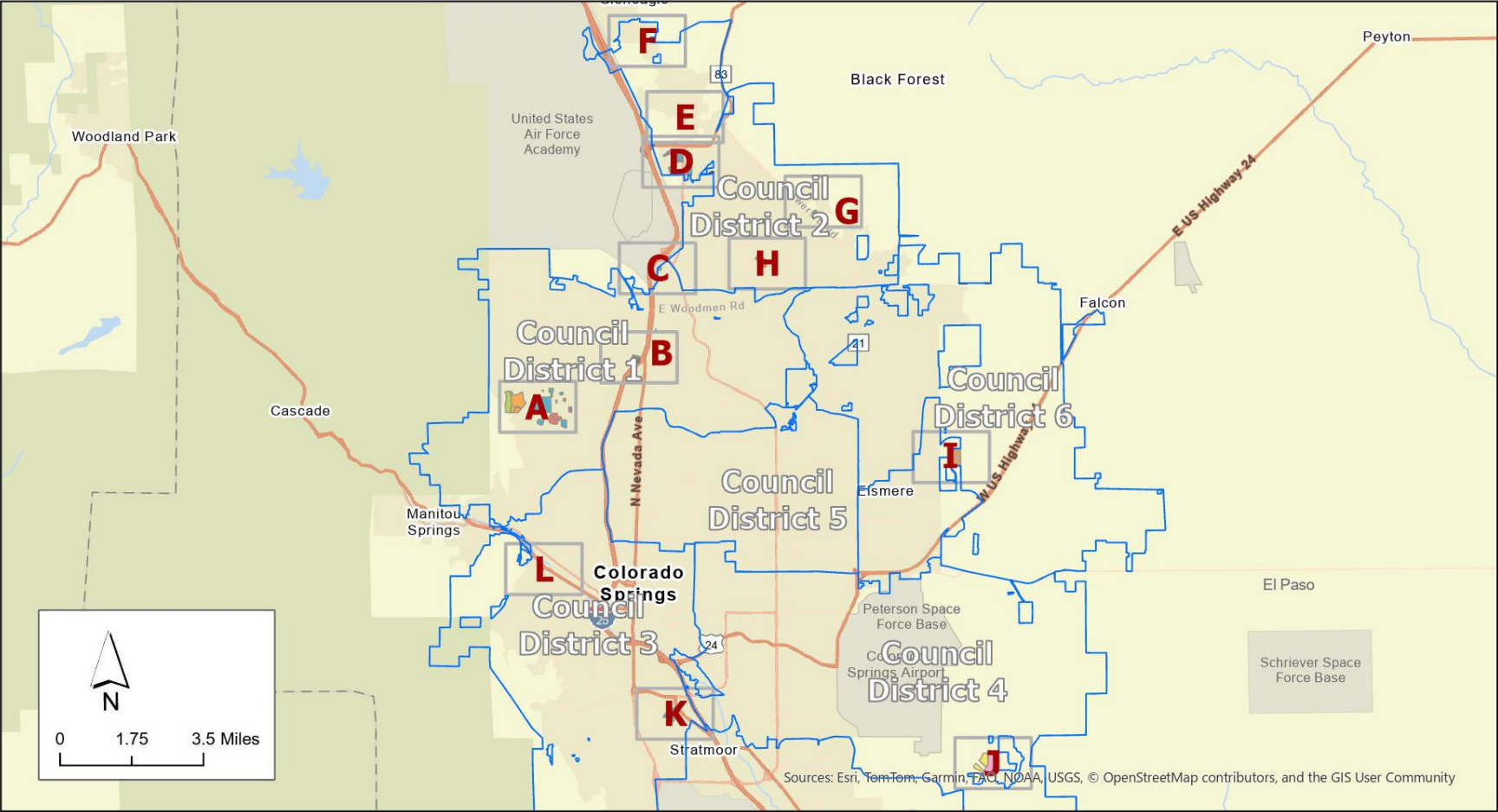
Proposed CHIPS Zone Boundaries in Colorado Springs

PROPOSED BOUNDARIES



Proposed Colorado Springs CHIPS Zone

Index Map

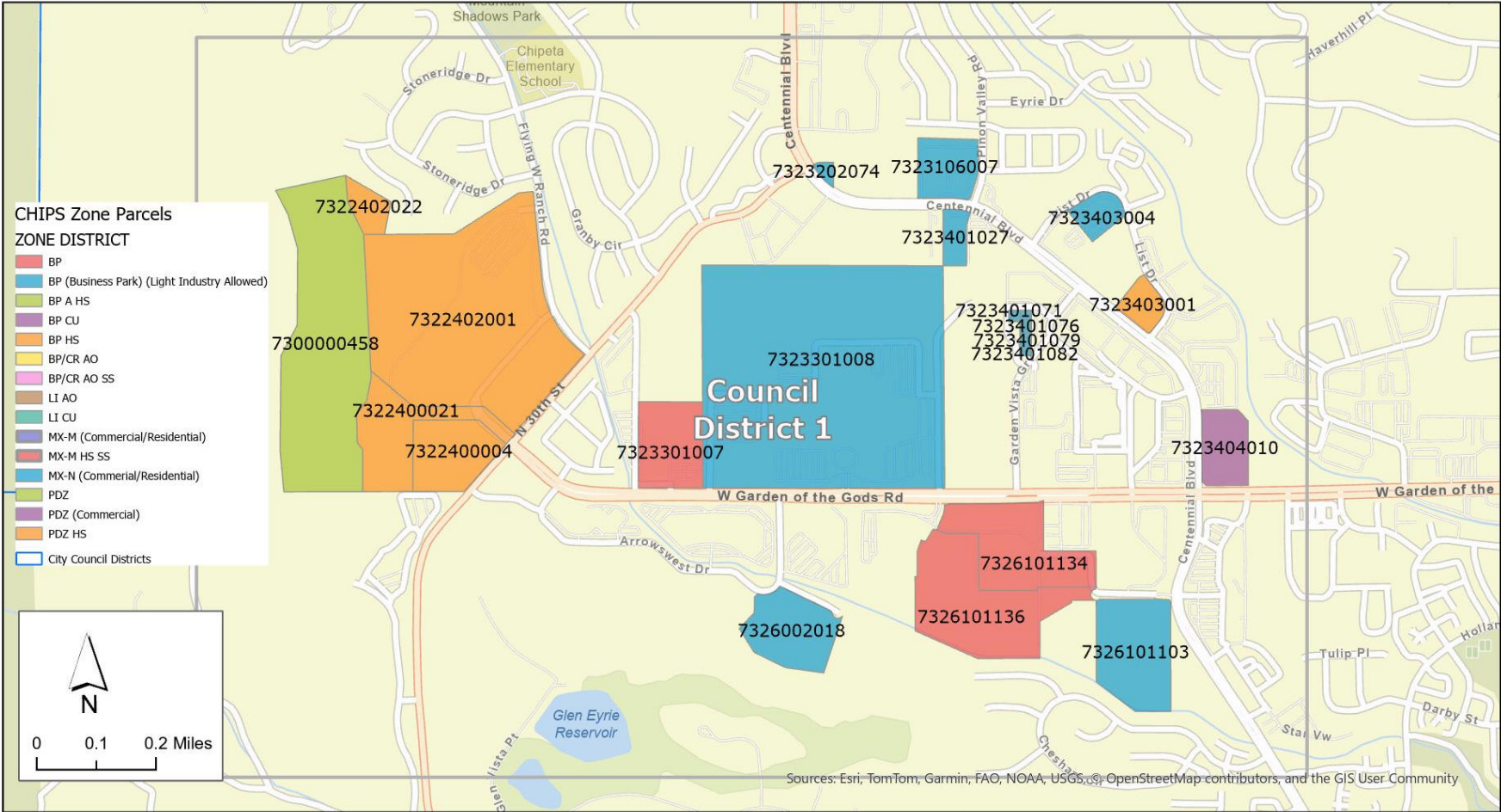


PROPOSED BOUNDARIES



Proposed Colorado Springs CHIPS Zone

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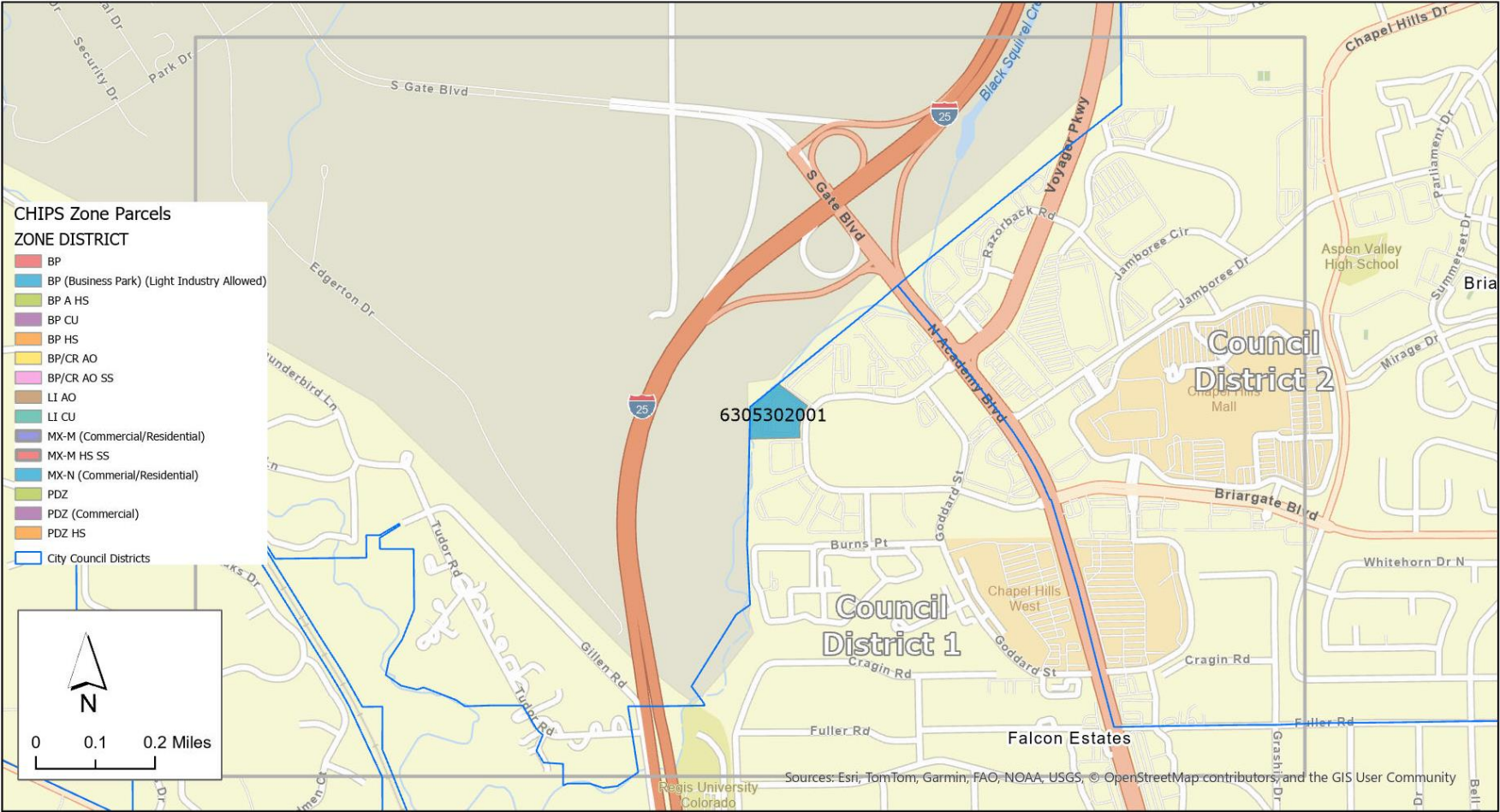


PROPOSED BOUNDARIES



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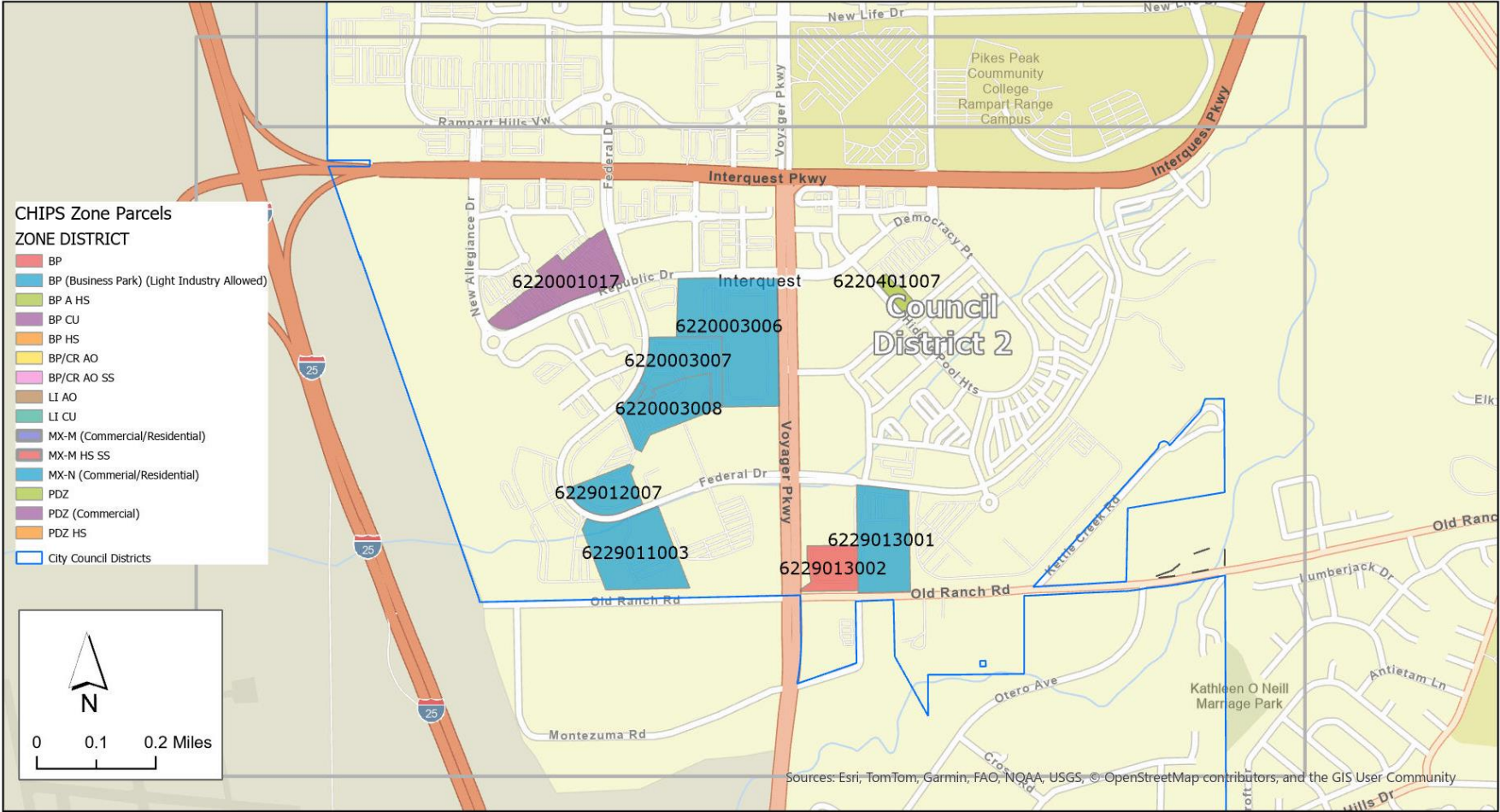


PROPOSED BOUNDARIES



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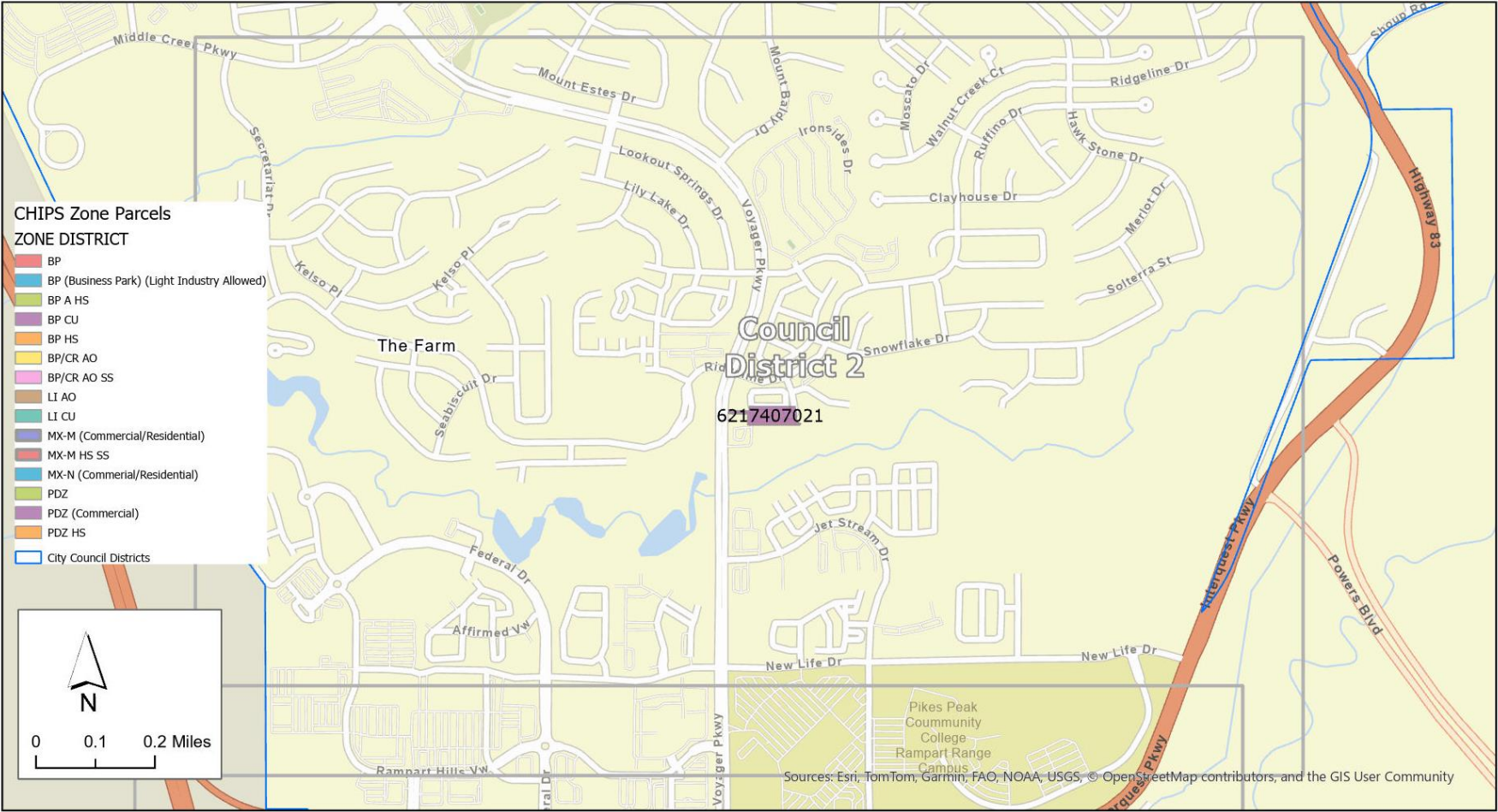


PROPOSED BOUNDARIES



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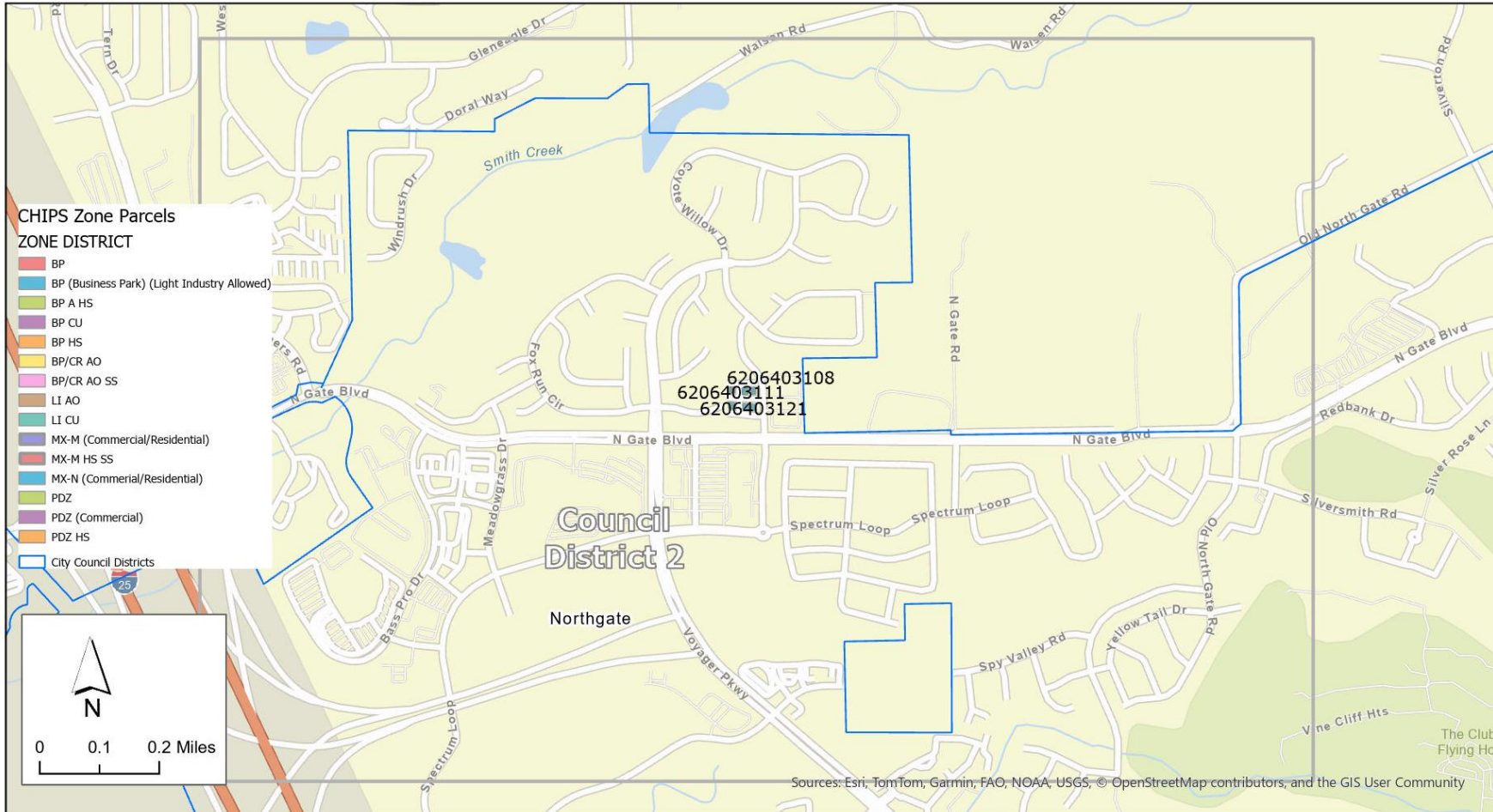


PROPOSED BOUNDARIES



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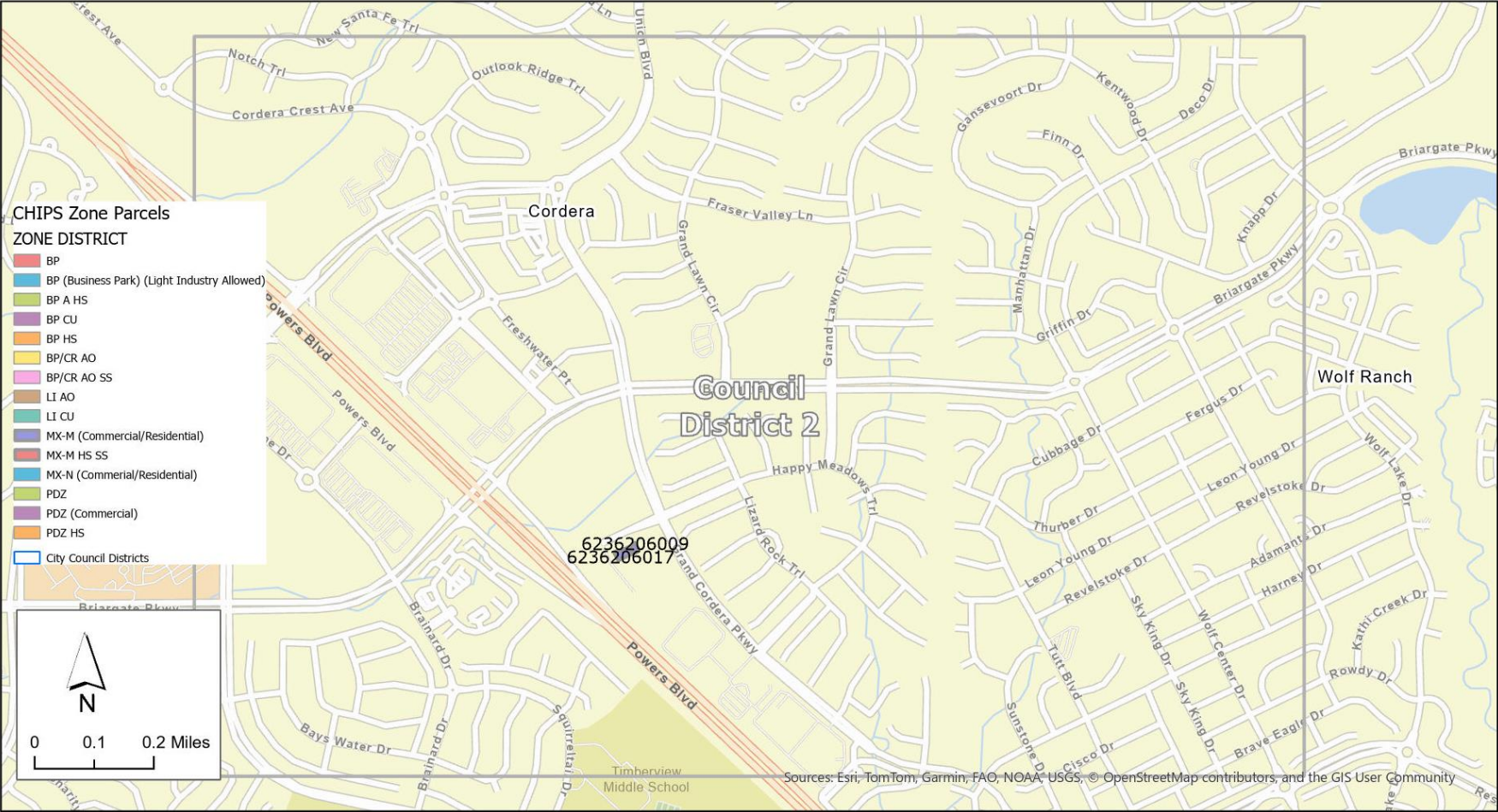


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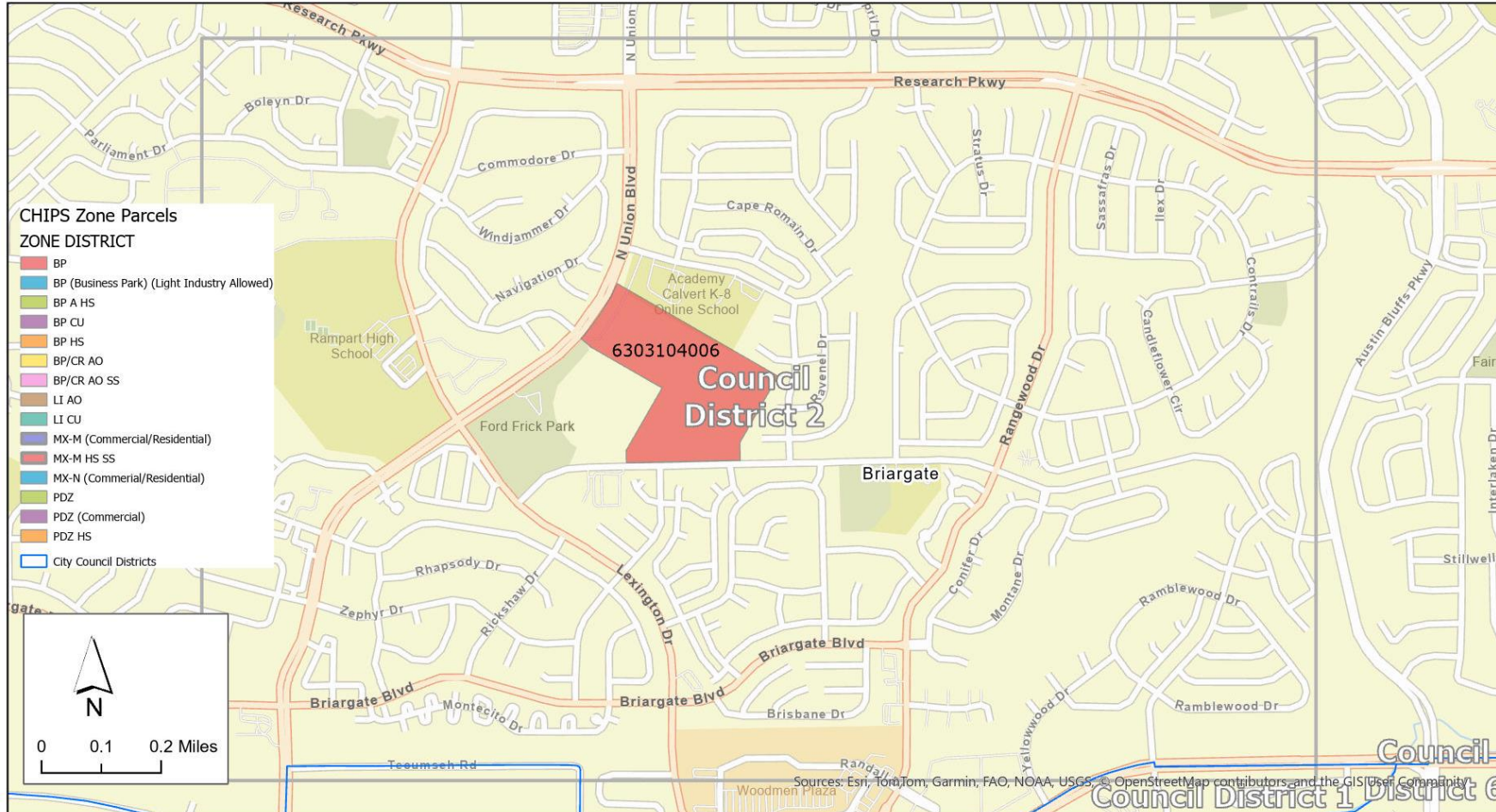


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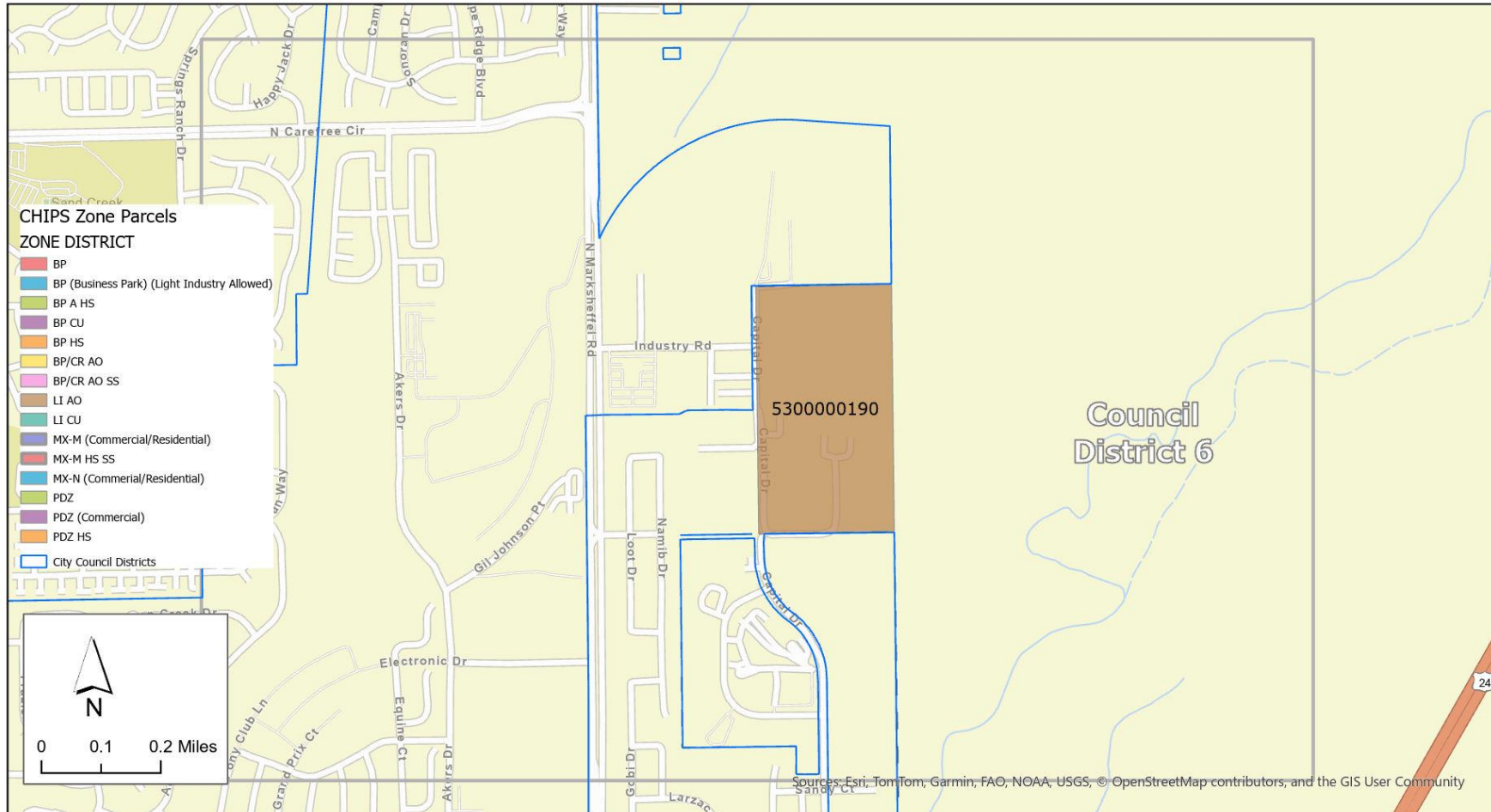


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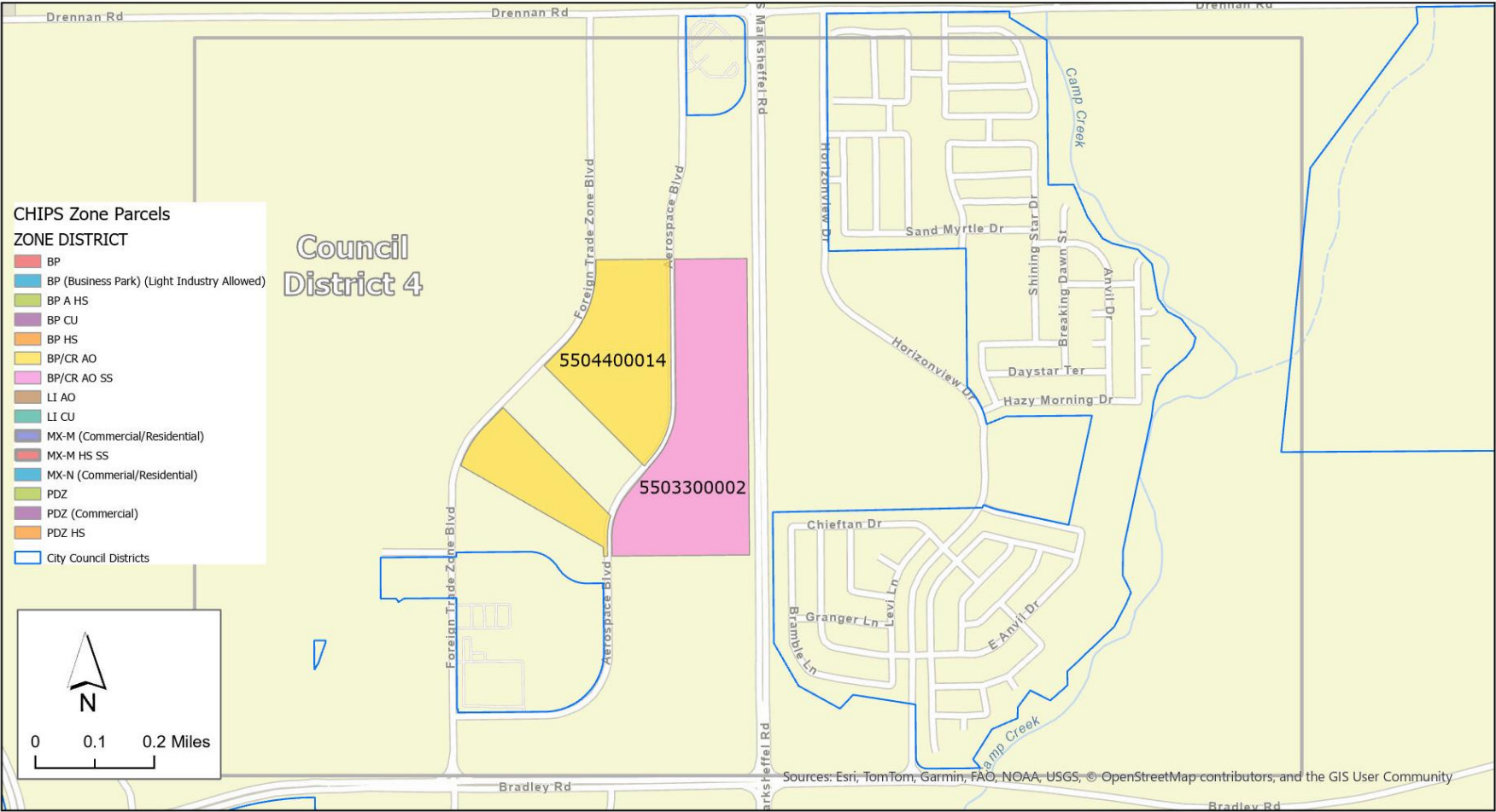


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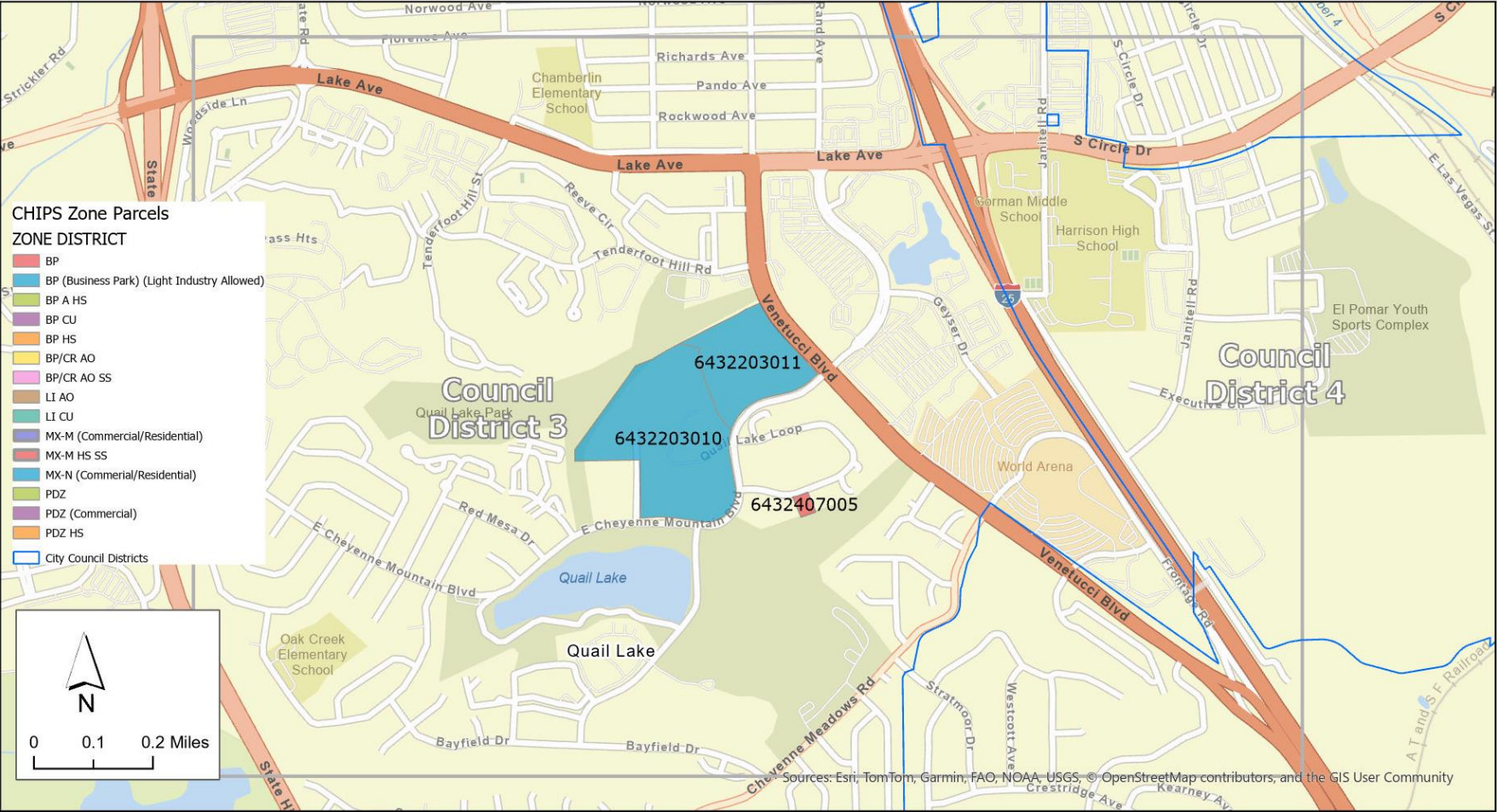


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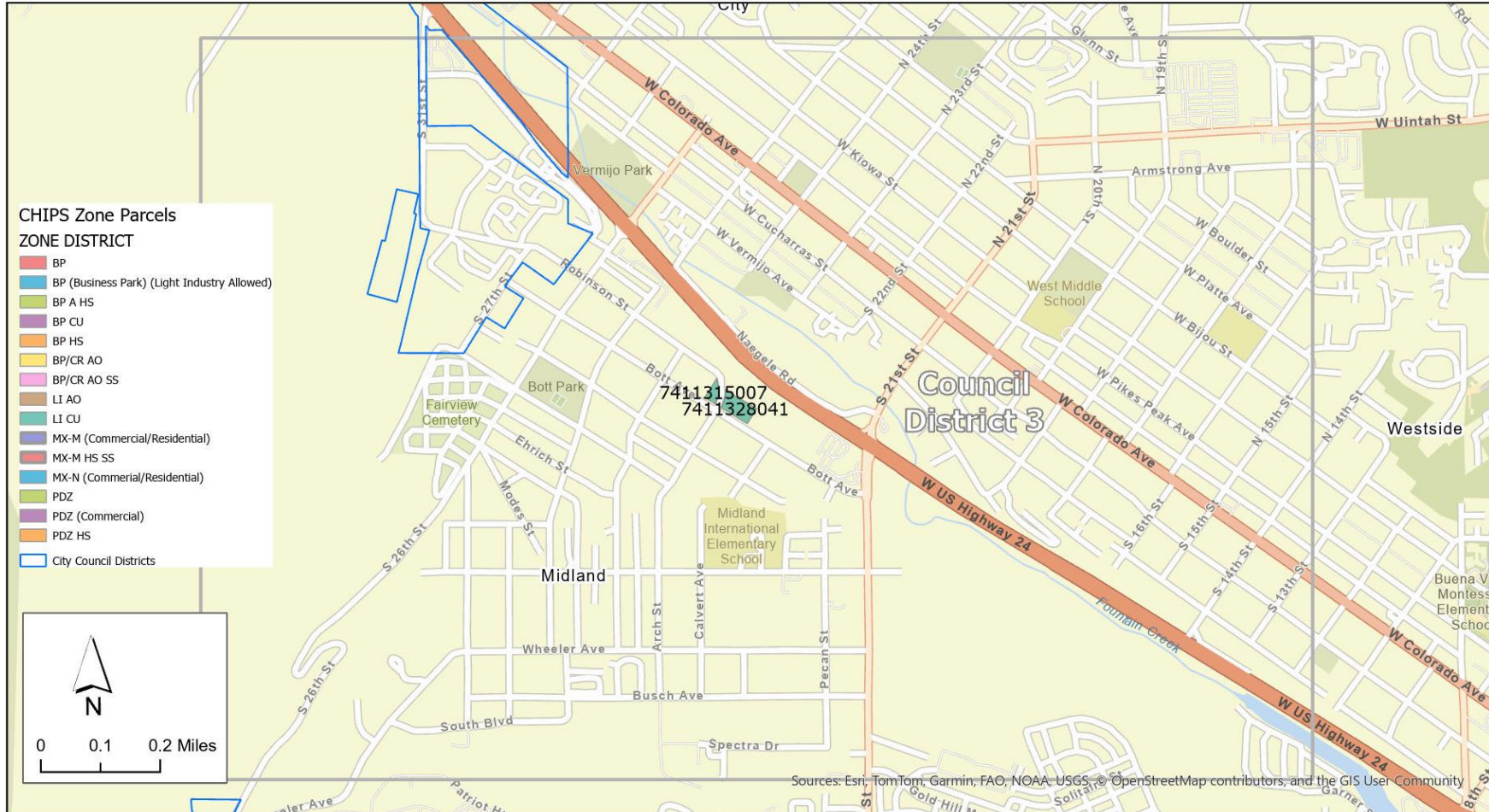


PROPOSED BOUNDARIES



Proposed Colorado Springs CHIPS Zone

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STAFF RECOMMENDATION



Supports the City of Colorado Springs Strategic Plan.

Approve the resolution of the Colorado Springs City Council approving the boundaries of a proposed area of the city to be submitted to the director of the Colorado Office of Economic Development for designation as a CHIPS Zone under the Colorado CHIPS Zone Act.

ANTICIPATED NEXT STEPS & TIMELINE



1. If approved, Colorado Springs will collaboratively submit CHIPS Zone application to the Colorado Office of Economic Development in **November 2025**.
2. Request the State's Economic Development Commission to vote in **December 2025**.
3. If approved, Colorado Springs CHIPS Zone would take effect **January 1, 2026**.
4. If approved, Colorado Springs Chamber & Economic Development Corporation (EDC) staff will connect CHIPS Zone eligible companies to Colorado Office of Economic Development & International Trade (OEDIT) to begin the process.

QUESTIONS?

