# CHIPS Zone Proposed Designation in Colorado Springs

# Colorado Springs City Council Work Session





#### **Presentation Overview**

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



### **Background Information**

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- 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**

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- 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

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#### **CHIPS Zone Overview**

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- 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**

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- 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**

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- 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 affect 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**

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- 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.

**CHIPS** Zone

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#### **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.



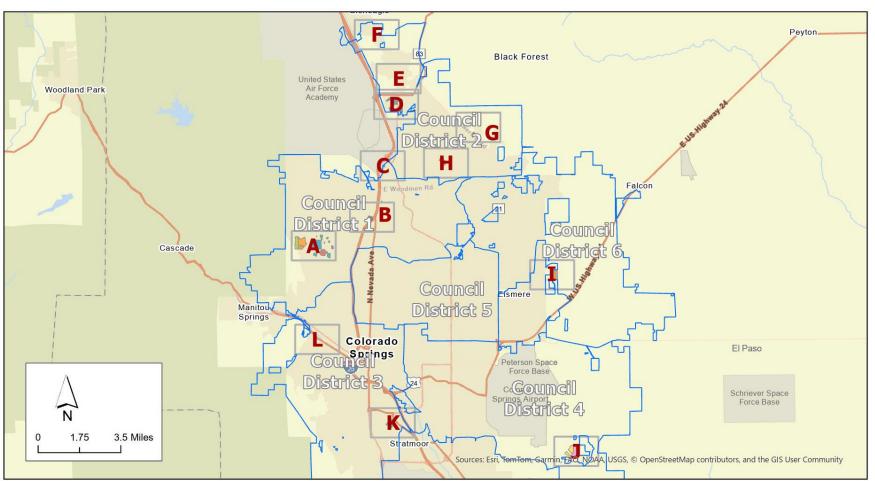
Proposed CHIPS Zone Boundaries in Colorado Springs





Proposed Colorado Springs CHIPS Zone

**Index Map** 

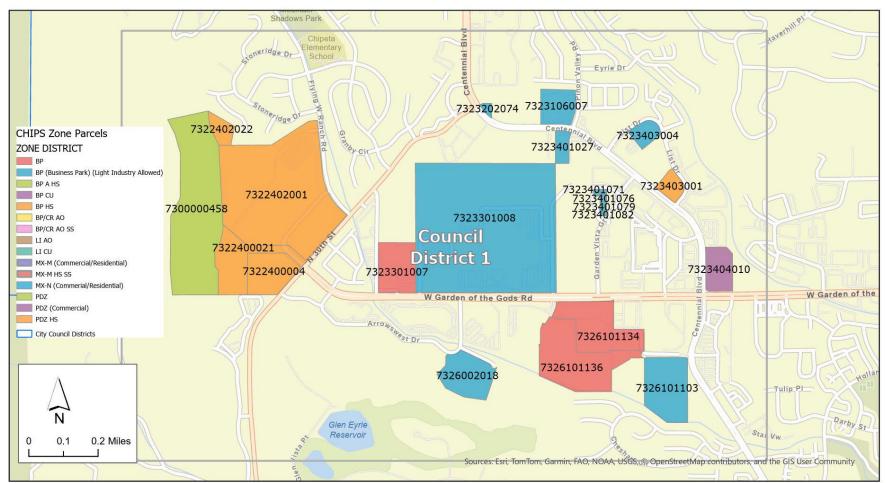






#### Proposed Colorado Springs CHIPS Zone





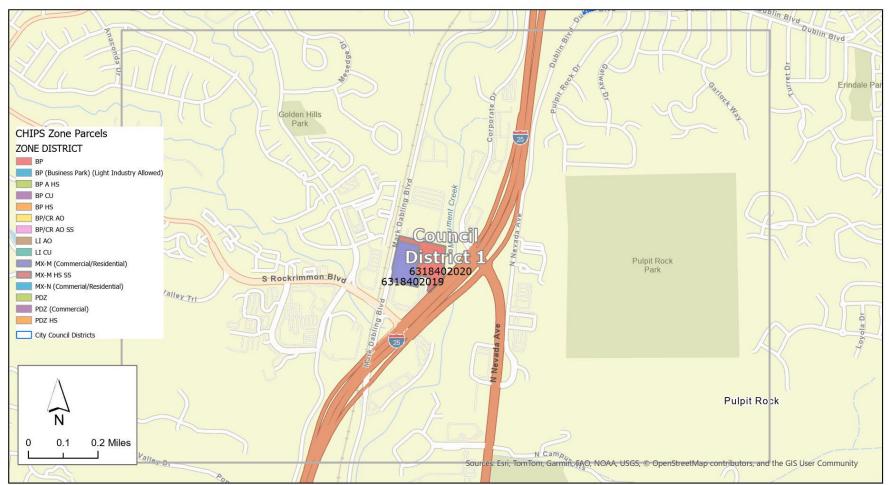
**CHIPS Zone** 

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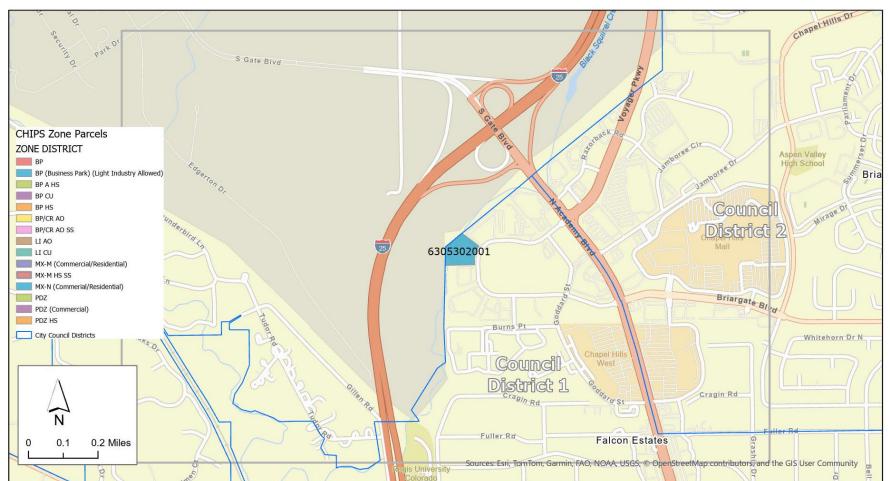
















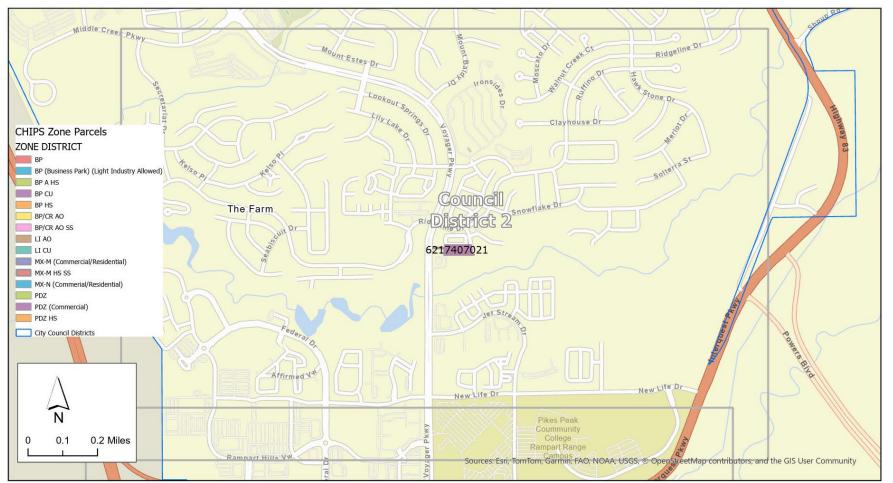
















Proposed Colorado Springs CHIPS Zone

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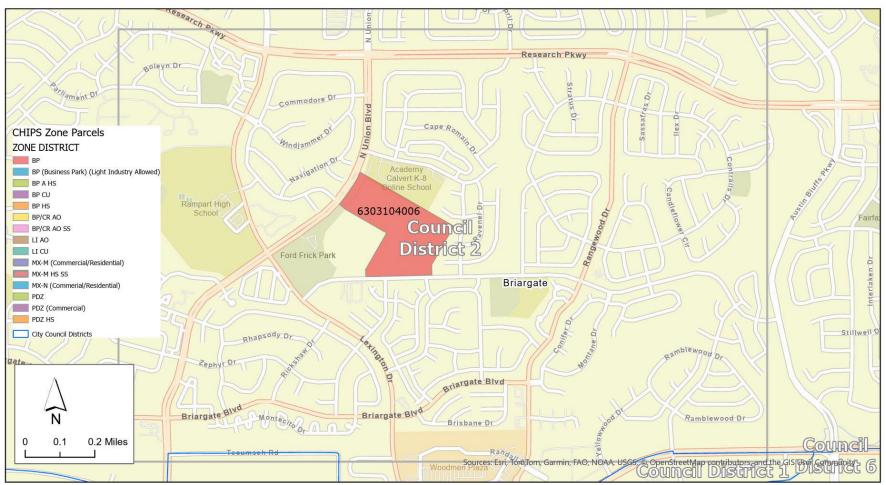
















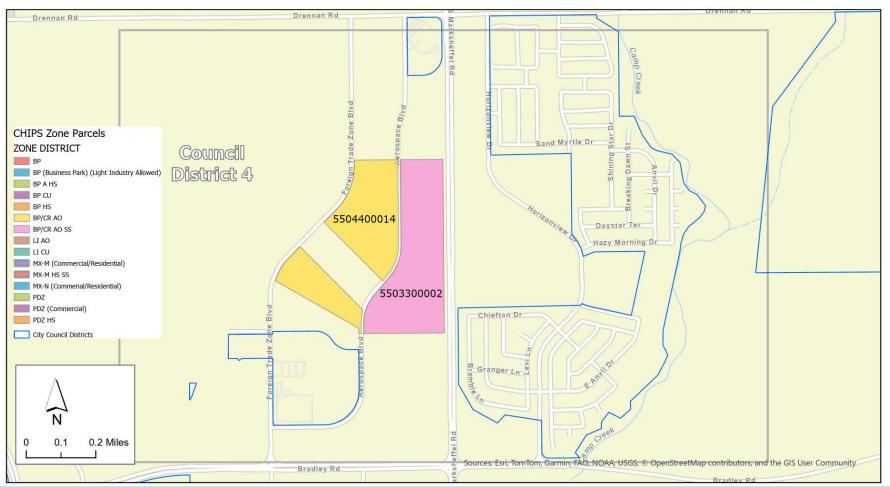






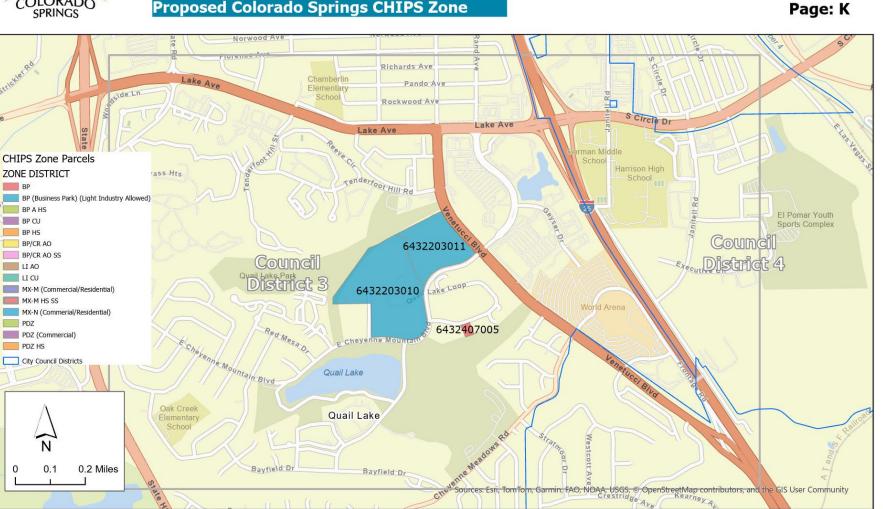




















#### STAFF RECOMMENDATION



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?



