

Relius Medical, LLC City Council Memo – Regular Session

Title:

A RESOLUTION APPROVING AN ECONOMIC DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLORADO SPRINGS AND RELIUS MEDICAL, LLC

From:

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Summary:

Relius Medical, LLC is a medical device manufacturer that engineers and manufactures orthopedic and non-orthopedic products. Relius purchased previously held assets of another company and was able to retain many of the previous employees, ultimately saving over 100 jobs. Since commencing operations in 2014, Relius employs 135 people and has been committed to developing and growing its workforce through collaborative efforts with community organizations such as Pikes Peak Community College, Pikes Peak Workforce Center, and Mount Carmel Veterans Service Center. Relius occupies an 89,000 square foot facility that allows for expansion opportunities, including their current progress on a sterile 10K clean room that will provide a one-stop shop for their customers. The company desires to expand its number of full time employees and invest in manufacturing equipment. The Executive Branch is recommending that the City provide certain performance-based incentives for investment and job creation.

Previous Council Action:

N/A

Background:

Relius Medical, LLC has investment plans for business expansion and job creation. The company estimates that it will invest \$5 million in machinery and equipment. The company expects to hire 25 new full time employees over the next 4 years at an average wage of \$34,337.

The Executive Branch is recommending that the City enter into an Economic Development Agreement to provide certain performance-based incentives for the company to invest in business personal property and job creation. The proposed City incentive is:

Sales and Use Tax Rebate on Annual Purchases of Business Personal Property (50% of the City's 2% General Fund Rate, or a 1% Total Rebate).

The Executive Branch is recommending a four (4) year agreement based on the level of projected investment and new job creation.

Financial Implications:

City staff has conducted an Economic Impact Analysis (EIA) to quantify the estimated economic benefit to the City that is expected to be derived by the expansion of Relius Medical, LLC. The following is a summary of the results:

Community Benefits (Economic Impacts)

4 Year Jobs Impact: 347

The EIA indicates a jobs impact from Relius operations over a 4 year period as follows: 51 jobs from expansion, 296 jobs from retention and a combined jobs impact of 347.

4 Year GMP: \$127.5 Million

The EIA indicates growth in Gross Metropolitan Product (GMP) over a 4 year period as follows: \$14.5 million from expansion, \$113 million from retention and combined GMP growth of \$127.5 million.

10 Year Jobs Impact: 412

The EIA indicates a jobs impact from Relius operations over a 10 year period as follows: 116 jobs from expansion, 296 jobs from retention and a combined jobs impact of 412.

10 Year GMP: \$410.3 Million

The EIA indicates growth in Gross Metropolitan Product (GMP) over a 10 year period as follows: \$79.3 million from expansion, \$331 million from retention and combined GMP growth of \$410.3 million.

City Revenue (Fiscal Impacts)

4 Year Net City Revenue: \$406,000

The EIA indicates net city revenue from Relius operations over a 4 year period as follows: \$100,000 from expansion, \$256,000 from retention and combined net city revenue of \$406,000*. (*Figures do not total due to the estimated city incentive being subtracted from both the expansion revenue and the retention revenue.)

10 Year Net City Revenue: \$1.22 million

The EIA indicates net city revenue from Relius operations over a 10 year period as follows: \$393,000 from expansion, \$779,000 from retention and combined net city revenue of \$1.22 million*. (*Figures do not total due to the estimated city incentive being subtracted from both the expansion revenue and the retention revenue.)

The proposed incentive structure incurs no financial risk since it is strictly performance based and revenue is rebated to the company only after it has been collected.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Proposed Motion:

APPROVE THE RESOLUTION APPROVING AN ECONOMIC DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLORADO SPRINGS AND RELIUS MEDICAL, LLC.

Ordinance Language:

N/A