

# Project Jade

## Economic Development Agreement

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Bob Cope, Economic Development Officer  
Shawna Lippert, Senior Economic  
Development Specialist



# Presentation Overview



- Project Jade Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
  - Expansion
- Staff Recommendation
- Questions
- Appendix

# Project Jade Overview



A rapidly growing veteran-owned small business that provides shared secure facilities and support services. Project Jade has a unique approach to the services offered and business model to address a growing problem in the market.

Due to increased customer demand and market opportunity, they need to expand their capabilities and services into a new market.

The company is considering Colorado Springs for their next market.

# Project Jade Overview



- Plans to secure an existing commercial location and remodel approximately 60,000 square feet, mostly of secure facilities
- Business model of shared classified space
- Project Jade is a Primary Employer, generating more than 50% of their revenue from outside of El Paso County.

# Project Jade Overview



- Investment plans for expansion and job creation
  - \$33 million capital investment over 4 years (term of agreement)
    - \$25 million buildings and improvements
    - \$866,000 furniture and fixtures
    - \$7 million machinery and equipment
  - Total of \$50 million capital investment over 10 years
    - \$37 million buildings and improvements
    - \$866,000 furniture and fixtures
    - \$12 million machinery and equipment
  - 35 jobs over 3 years
  - Average wage: \$165,000

# Proposed EDA



- Provide certain performance-based incentives in an effort to enable greater company investment and job growth
- Incentives provided through an Economic Development Agreement

# Proposed EDA



- Recommended Economic Development Agreement:
  - Sales & Use Tax Rebate on Annual Purchases of Business Personal Property (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
  - Sales and Use Tax Rebate on Purchases of Construction Materials (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
  - Four Year Agreement: 35 new jobs over lifetime of agreement

# EDA Requirements



- Minimum criteria to qualify for an Economic Development Agreement (Economic Development Division standard practice):
  - Primary Employer
    - Company generates at least 51% of its revenue from outside of the local trade area of El Paso County, bringing new wealth into the local economy.
  - Create 10 new Primary Jobs
  - \$1 Million new capital investment



# EDA Requirements



- Minimum job creation for the term of an Economic Development Agreement:
  - 10 new jobs: 4 year agreement
  - 100 new jobs: 10 year agreement
  - 500 new jobs: 15 year agreement

# EDA Requirements



City Council has the discretion to approve an Economic Development Agreement with criteria and terms as determined by City Council.

# Expansion

## 4-Year Economic and Fiscal Impact Analyses

# Expansion: Economic Impact



## 4-Year Analysis of New Community Benefits from Expansion

<b>New Community Benefits – Permanent Jobs</b>	<b>4 Year Total</b>
Direct Jobs	35
Indirect/Induced Jobs	32
<b>Total Permanent Jobs</b>	<b>67</b>

<b>New Community Benefits – Construction Jobs</b>	
<b>Total Construction Jobs</b>	<b>301</b>

<b>New Community Benefits – GMP</b>	<b>4 Year Total</b>	<b>Average Annual</b>
<b>Total Value Added</b> (Gross Metropolitan Product)	<b>\$57 Million</b>	<b>\$14 Million</b>

# Expansion: Fiscal Impact



## 4-Year Analysis of Gross New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual
Total New City Revenue (Gross)	\$1.1 Million	\$268,000

\* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

\* See Appendix slide 25 for breakdown of calculations.

# Expansion: Calculation of Incentives



## Calculation of Incentives for Expansion: City Sales and Use Tax Rebates over a 4-Year EDA Agreement

City Sales and Use Tax Rebate	Total
Business Personal Property <i>(Machinery &amp; Equipment, Furniture &amp; Fixtures)</i>	\$76,000
Construction Materials	\$126,485
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$202,485</b>

# Expansion: Fiscal Impact



## 4-Year Analysis of Net New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual
Total New City Revenue (Gross)	\$1.1 Million	\$268,000
City Incentive	(\$202,485)	
<b>Total New City Revenue (Net)</b>	<b>\$868,386</b>	<b>\$86,839</b>

# Expansion

## 10-Year Economic and Fiscal Impact Analyses



# Expansion: Economic Impact



## 10-Year Analysis of New Community Benefits from Expansion

<b>New Community Benefits – Permanent Jobs</b>	<b>10 Year Total</b>
Direct Jobs	35
Indirect/Induced Jobs	32
<b>Total Permanent Jobs</b>	<b>67</b>

<b>New Community Benefits – Construction Jobs</b>	
<b>Total Construction Jobs</b>	<b>301</b>

<b>New Community Benefits – GMP</b>	<b>10 Year Total</b>	<b>Average Annual</b>
<b>Total Value Added</b> (Gross Metropolitan Product)	<b>\$115 Million</b>	<b>\$11.5 Million</b>

# Expansion: Fiscal Impact



## 10-Year Analysis of Gross New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$2.1 Million	\$205,000

\* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

\* See Appendix slide 26 for breakdown of calculations.

# Expansion: Fiscal Impact



## 10-Year Analysis of Net New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$2.1 Million	\$205,000
City Incentive	(\$202,485)	
<b>Total New City Revenue (Net)</b>	<b>\$1,848,133</b>	<b>\$184,813</b>

# Financial Safeguards



- Incentive structure incurs no financial risk to the City
  - Strictly performance-based
  - Rebates are made to the company only after revenue has been collected

# Other Considerations



- EDA is consistent with the City of Colorado Springs Strategic Plan
  - Promoting Job Creation

# Staff Recommendation



Approval of a resolution approving an Economic Development Agreement between the City of Colorado Springs and Project Jade.

# Questions?



# Appendix

## Breakdown of calculations for Fiscal Impacts



# Expansion: Fiscal Impact



## 4-Year Analysis of Gross New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual
Sales Tax – General Fund	\$568,000	\$142,000
PSST	\$114,000	\$28,000
TOPS*	\$28,000	\$7,000
PPRTA* (70%)	\$199,000	\$50,000
2C*	\$162,000	\$41,000
<b>Total New City Revenue (Gross)</b>	<b>\$1.1 Million</b>	<b>\$268,000</b>

\* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

\* Breakdown of calculations for slide 13

# Expansion: Fiscal Impact



## 10-Year Analysis of Gross New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$1.1 Million	\$109,000
PSST	\$218,000	\$22,000
TOPS*	\$54,000	\$5,000
PPRTA* (70%)	\$381,000	\$38,000
2C*	\$310,000	\$31,000
<b>Total New City Revenue (Gross)</b>	<b>\$2.1 Million</b>	<b>\$205,000</b>

\* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

\* Breakdown of calculations for slide 18