

Project Star Trek

Economic Development Agreement



Colorado Springs City Council Work Session

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Presentation Overview



- Project Star Trek Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
 - Expansion
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Project Star Trek Overview



A rapidly growing high-tech small business that provides technology services and software products to government and commercial customers. The technology company has a unique approach to their services offered.

Project Star Trek intends to expand into a new strategic location to expand their capabilities and to be in proximity to customers.

Colorado Springs is one of at least six locations the company is considering for their expansion plans.

Project Star Trek Overview



- Plans to secure and remodel an existing commercial location, mostly of office and secure facilities.
- Project Star Trek is a Primary Employer, generating more than 50% of their revenue from outside of El Paso County.

Project Star Trek Overview



Investment plans for expansion and job creation

- \$15 million capital investment over 2 years

 - \$9.4 million buildings and improvements

 - \$1.3 million furniture and fixtures

 - \$4.3 million machinery and equipment

- 200 jobs over 3 years

- Average wage: \$140,000

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)
- Ten Year Agreement: 200 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



Expansion

10-Year Economic and Fiscal Impact Analyses

Expansion: Economic Impact



New Community Benefits – Permanent Jobs	10 Year Total
Direct Jobs	200
Indirect/Induced Jobs	340
Total Permanent Jobs	540

New Community Benefits – Construction Jobs	
Total Construction Jobs	105

New Community Benefits – GMP	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$455 Million	\$45.5 Million

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)	\$4.7 Million	\$468,000

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

* See Appendix slide 30 for breakdown of calculations.

Expansion: Calculation of Incentives



Calculation of Incentives for Expansion: City Sales and Use Tax Rebates over a 10-Year EDA Agreement

City Sales and Use Tax Rebate	Total
Business Personal Property <i>(Machinery & Equipment, Furniture & Fixtures)</i>	\$55,510
Construction Materials	\$47,080
Total Estimated Sales and Use Tax Rebate	\$102,590

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)	\$4.7 Million	\$468,000
City Incentive	(\$102,590)	
Total New City Revenue (Net)	\$4,574,539	\$457,454

Retention



Retention

10-Year Economic and Fiscal Impact Analyses

Retention: Economic Impact



10-Year Analysis of New Community Benefits from Retention

New Community Benefits from Retention	10 Year Total
Direct Jobs	70
Indirect/Induced Jobs	119
Total Permanent Jobs (Direct and Indirect/Induced)	189

New Community Benefits from Retention	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$173.9 Million	\$17.4 Million

Retention: Fiscal Impact



10-Year Analysis of Gross New City Revenue from Retention

*No Sunset

New City Revenue from Retention	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$1.6 Million	\$155,000

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

* See Appendix slide 31 for breakdown of calculations.

Retention: Fiscal Impact



10-Year Analysis of Net New City Revenue from Retention

*No Sunset

New City Revenue from Retention	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$1.6 Million	\$155,000
City Incentive	(\$102,590)	
Total New City Revenue (Net)	\$1,449,858	\$144,986

Combined



Combined

(Expansion & Retention)

10-Year Economic and Fiscal Impact Analyses

Combined: Economic Impacts



10-Year Analysis of Total Combined New Community Benefits from Expansion & Retention: Jobs

Total Community Benefits	10 Year Total
Expansion - Total Permanent Jobs (Direct and Indirect/Induced)	540
Retention - Total Permanent Jobs (Direct and Indirect/Induced)	189
Total Combined Permanent Jobs	729

Combined: Economic Impacts



10-Year Analysis of Total Combined New Community Benefits from Expansion & Retention: GMP

Total Community Benefits	10 Year Total	Average Annual
Expansion - Total Value Added (Gross Metropolitan Product)	\$455 Million	\$45 Million
Retention - Total Value Added (Gross Metropolitan Product)	\$174 Million	\$17 Million
Total Combined - Total Value Added (Gross Metropolitan Product)	\$628 Million	\$62.8 Million

Combined: Fiscal Impacts



10-Year Analysis of Total Combined Gross New City Revenue from Expansion & Retention

*No Sunset

Combined New City Revenue	10 Year Total	Average Annual
Total Combined New City Revenue (Gross)	\$6.2 Million	\$623,000

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

* See Appendix slide 32 for breakdown of calculations.

Combined: Fiscal Impacts



10-Year Analysis of Total Combined Net New City Revenue from Expansion & Retention

*No Sunset

Combined New City Revenue	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$6.2 Million	\$623,000
City Incentive	(\$102,590)	
Total Combined New City Revenue (Net)	\$6,126,987	\$612,699

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 Star Trek.

Questions?



Appendix



Appendix

Breakdown of calculations for Fiscal Impacts

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	\$2.5 Million	\$248,000
PSST	\$496,000	\$50,000
TOPS*	\$124,000	\$12,000
PPRTA* (70%)	\$868,000	\$87,000
2C*	\$707,000	\$71,000
Total New City Revenue (Gross)	\$4.7 Million	\$468,000

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

* Breakdown of calculations for slide 13

Retention: Fiscal Impact



10-Year Analysis of Gross New City Revenue from Retention

*No Sunset

New City Revenue from Retention	10 Year Total	Average Annual
Sales Tax – General Fund	\$824,000	\$82,000
PSST	\$165,000	\$16,000
TOPS*	\$41,000	\$4,000
PPRTA* (70%)	\$288,000	\$29,000
2C*	\$235,000	\$23,000
Total New City Revenue (Gross)	\$1.6 Million	\$155,000

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

* Breakdown of calculations for slide 18

Combined: Fiscal Impact



10-Year Analysis of Total Combined Gross New City Revenue from Expansion & Retention *No Sunset

Combined New City Revenue	10 Year Total	Average Annual
Sales Tax – General Fund	\$3.3 Million	\$330,000
PSST	\$661,000	\$66,000
TOPS*	\$165,000	\$17,000
PPRTA* (70%)	\$1.2 Million	\$116,000
2C*	\$942,000	\$94,000
Total Combined New City Revenue (Gross)	\$6.2 Million	\$623,000

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

* Breakdown of calculations for slide 23