

Project Stronghold

Economic Development Agreement



Colorado Springs City Council

Work Session

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Presentation Overview



- Project Stronghold Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
- Financial Safeguards
- Staff Recommendation
- Questions
- Appendix

PROJECT OVERVIEW



- Project Stronghold intends to expand into a new strategic location to expand their capabilities and to be in proximity to customers.
- Project Stronghold is a defense company that delivers cyber and intelligence solutions to Government customers.
- Speed to market is critical to meet contract timelines.
- Potential opportunities for future growth beyond current project, defense contract dependent.

Project Stronghold Overview



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

Project Stronghold Overview



- Investment plans for expansion and job creation
 - \$3.96 million capital investment over 2 years
 - \$3.7 million buildings and improvements
 - \$140k furniture and fixtures
 - \$25k machinery and equipment
 - 130 jobs over 3 years
 - Average wage: \$166,426

- Provide performance-based incentives 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: 130 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
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- City Council has the discretion to approve an Economic Development Agreement with criteria and terms as determined by City Council.

EXPANSION – 4 YEAR



4-Year Economic and Fiscal Impact Analyses

Expansion: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total
Direct Jobs	130
Indirect/Induced Jobs	221
Total Permanent Jobs	351

New Community Benefits – Construction Jobs	
Total Construction Jobs	30

New Community Benefits – GMP	4 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$78,026,859	\$19,506,715

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)	\$992,293	\$248,073

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

* See Appendix slide 25 for breakdown of calculations.

Expansion: 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 & Equipment, Furniture & Fixtures)</i>	\$1,650
Construction Materials	\$18,998
Total Estimated Sales and Use Tax Rebate	\$20,643

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)	\$992,293	\$248,073
City Incentive	(\$20,643)	
Total New City Revenue (Net)	\$971,650	\$242,912

EXPANSION – 10 YEAR



Expansion

10-Year Economic and Fiscal Impact Analyses

Expansion: Economic Impact



New Community Benefits – Permanent Jobs	10 Year Total
Direct Jobs	130
Indirect/Induced Jobs	221
Total Permanent Jobs	351

New Community Benefits – Construction Jobs	
Total Construction Jobs	30

New Community Benefits – GMP	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$292,123,128	\$29,212,313

Expansion: 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>	\$1,650
Construction Materials	\$18,998
Total Estimated Sales and Use Tax Rebate	\$20,643

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)	\$3,270,473	\$327,047

* 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	4 Year Total	Average Annual
Total New City Revenue (Gross)	\$3,270,473	\$327,047
City Incentive	(\$20,643)	
Total New City Revenue (Net)	\$3,249,830	\$324,983

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

STAFF RECOMMENDATION



EDA is consistent with the City of Colorado Springs Strategic Plan

- Promoting Job Creation

Approve the Economic Development Agreement between the City of Colorado Springs and Project Stronghold.

QUESTIONS?



APPENDIX



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	\$526,415	\$131,604
PSST	\$105,283	\$26,321
TOPS*	\$26,321	\$6,580
PPRTA* (70%)	\$184,246	\$46,061
2C*	\$150,028	\$37,507
Total New City Revenue (Gross)	\$992,293	\$248,073

* 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	\$1,734,999	\$173,500
PSST	\$347,000	\$34,700
TOPS*	\$86,750	\$8,675
PPRTA* (70%)	\$607,249	\$60,725
2C*	\$494,475	\$49,447
Total New City Revenue (Gross)	\$3,270,473	\$327,047

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

* Breakdown of calculations for slide 18