

# Project Thunder

## Economic Development Agreement



# Colorado Springs City Council

## Work Session

**11/25/2024**

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# Presentation Overview



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

# Project Thunder Overview



- Project Thunder is an existing food manufacturing and processing company.
- Project Thunder intends to expand into a new strategic location to increase production capacity and expand their capabilities for new product lines.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering several U.S. locations for expansion.

# Project Thunder Overview, continued



- Plans to secure a U.S. location to expand.
- Project Thunder is a Primary Employer, generating more than 51% of their revenue from outside of El Paso County.

# Project Overview



- Investment plans for expansion and job creation:
  - \$18 million capital investment over 4 years
    - \$4.5 million land
    - \$7.5 million building and improvements
    - \$6 million machinery and equipment
  - 20 jobs over 4 years
  - Average wage: \$60,000

# ECONOMIC DEVELOPMENT AGREEMENT



## Proposed Economic Development Agreement (EDA)

# EDA



- Provide performance-based incentives to enable greater company investment and job growth
- Incentives provided through an Economic Development Agreement (EDA)

# 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: 20 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, continued



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

# EXPANSION 4 and 10 Year



## 4 and 10-Year Economic and Fiscal Impact Analyses of Expansion

# Expansion: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	23	23
Indirect/Induced Jobs	27	27
<b>Total Permanent Jobs</b>	<b>50</b>	<b>50</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>90</b>

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$23,926,837</b>	<b>\$5,981,709</b>	<b>\$48,925,319</b>	<b>\$4,892,532</b>

# Expansion: Fiscal Impact



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

\*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$445,680	\$111,420	\$615,973	\$61,597

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

\* See Appendix slide 26 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 &amp; Equipment, Furniture &amp; Fixtures)</i>	\$60,000
Construction Materials	\$37,500
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$97,500</b>

# Expansion: Fiscal Impact



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

\*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$445,680	\$111,420	\$615,973	\$61,597
City Incentive	(-\$97,500)		(-\$97,500)	
<b>Total New City Revenue (Net)</b>	<b>\$348,180</b>	<b>\$87,045</b>	<b>\$518,473</b>	<b>\$51,847</b>

# RETENTION 4 and 10 YEAR



## 4 and 10-Year Economic and Fiscal Impact Analyses of Retention



# Retention: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	15	15
Indirect/Induced Jobs	18	18
<b>Total Permanent Jobs</b>	<b>33</b>	<b>33</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>0</b>

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$9,811,784</b>	<b>\$2,452,946</b>	<b>\$28,699,526</b>	<b>\$2,869,953</b>

# Retention: Fiscal Impact



## 4 and 10-Year Analysis of Gross New City Revenue from Retention

\*No Sunset

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$85,134	\$21,284	\$248,986	\$24,899

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

\* See Appendix slide 27 for breakdown of calculations.

# COMBINED EXPANSION AND RETENTION 4 and 10 YEAR



4 and 10-Year Economic and Fiscal Impact  
Analyses of Expansion and Retention  
Combined

# Combined: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Total Jobs from Expansion	50	50
Total Jobs from Retention	33	33
<b>Total Permanent Jobs</b>	<b>83</b>	<b>83</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>90</b>

New Community Benefits – GMP Combined	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$33,738,621</b>	<b>\$8,434,655</b>	<b>\$77,624,845</b>	<b>\$7,762,485</b>

# Combined: Fiscal Impact



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

\*No Sunset

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$530,814	\$132,704	\$864,959	\$86,496
City Incentive	(-\$97,500)		(-\$97,500)	
<b>Total New City Revenue (Net)</b>	<b>\$433,314</b>	<b>\$43,331</b>	<b>\$767,459</b>	<b>\$76,746</b>

\* See Appendix slide 28 for breakdown of calculations.

# 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 directly supports the City of Colorado Springs Strategic Plan

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

# QUESTIONS?





# APPENDIX



## Appendix

Breakdown of calculations for Fiscal Impacts

# Appendix: Expansion: Fiscal Impact



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

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$236,435	\$59,109	\$326,776	\$32,678
PSST	\$47,287	\$11,822	\$65,355	\$6,536
TOPS*	\$11,822	\$2,956	\$16,339	\$1,634
PPRTA* (70%)	\$82,752	\$20,688	\$114,372	\$11,437
2C*	\$67,384	\$16,846	\$93,131	\$9,313
<b>Total New City Revenue (Gross)</b>	<b>\$445,680</b>	<b>\$111,420</b>	<b>\$615,973</b>	<b>\$61,597</b>

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

\* Breakdown of calculations for slide 13

# Appendix: Retention: Fiscal Impact



## 4 and 10-Year Analysis of Gross New City Revenue from Retention

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$45,164	\$11,291	\$132,088	\$13,209
PSST	\$9,033	\$2,258	\$26,418	\$2,642
TOPS*	\$2,258	\$565	\$6,604	\$660
PPRTA* (70%)	\$15,807	\$3,952	\$46,231	\$4,623
2C*	\$12,872	\$3,218	\$37,645	\$3,765
<b>Total New City Revenue (Gross)</b>	<b>\$85,134</b>	<b>\$21,284</b>	<b>\$248,986</b>	<b>\$24,899</b>

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

\* Breakdown of calculations for slide 18

# Appendix: Combined: Fiscal Impact



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

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$281,599	\$70,400	\$458,864	\$45,886
PSST	\$56,320	\$14,080	\$91,773	\$9,177
TOPS*	\$14,080	\$3,520	\$22,943	\$2,294
PPRTA* (70%)	\$98,559	\$24,640	\$160,602	\$16,060
2C*	\$80,256	\$20,064	\$130,776	\$13,078
<b>Total New City Revenue (Gross)</b>	<b>\$530,814</b>	<b>\$132,704</b>	<b>\$864,959</b>	<b>\$86,496</b>

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

\* Breakdown of calculations for slide 21