

Project Beach Economic Development Agreement

Colorado Springs City Council
Work Session
November 7, 2019



Presentation Overview



- Project Beach Overview
- Proposed EDA
- Financial Analyses
- Staff Recommendation
- Questions

Project Beach Overview



A rapidly growing communications technology company headquartered in Colorado Springs, Project Beach makes it easy for businesses to build relationships with customers through videos in email, text, and social media.

Project Beach Overview



- Currently 121 employees company wide
- Expanding from 18,700 SF to 28,700 SF
- Products and services being used in over 40 countries
- Currently under review for State of Colorado Incentives

Project Beach Overview



- Investment plans for expansion and job creation
 - \$1 million capital investment
 - 186 new jobs over 4 years; 223 over 5 years
 - Also relocating 50 current employees over next 5 years to Colorado Springs
 - Average wage: \$82,642.17

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 (100% of the City's 2% General Fund Rate, or 2% Total Rebate)
 - Sales and Use Tax Rebate on Purchases of Construction Materials (100% of the City's 2% General Fund Rate, or 2% Total Rebate)
 - Four Year Agreement – 186 new jobs over lifetime of agreement

Financial Implications



Expansion – New Community Benefits (Economic Impacts)

New Community Benefits from Expansion	4 Year Analysis	10 Year Analysis
Jobs	547	733
Total Value Added (Gross Metropolitan Product)	\$130 Million	\$676 Million

Financial Implications



Expansion – New City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$480,000	\$1.88 Million
PSST	\$96,000	\$376,000
TOPS*	\$24,000	\$94,000
Real Property Tax	\$3,000	\$24,000
PPRTA* (70%)	\$168,000	\$659,000
2C*	\$149,000	\$583,000
Total Sales Tax Revenue	\$920,000	\$3.6 Million
Total New City Revenue (Gross)	\$920,000	\$3.6 Million

*Indicates item scheduled to sunset

Financial Implications



Expansion – New City Revenue (Fiscal Impacts) – With Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$480,000	\$1.88 million
PSST	\$96,000	\$376,000
Real Property Tax	\$3,000	\$24,000
PPRTA	\$168,000	\$476,000
Total Sales Tax Revenue	\$747,000	\$2.76 Million
Total New City Revenue (Gross)	\$747,000	\$2.76 Million

Financial Implications



Rebate	Total
Business Personal Property (Computers and Equipment)	\$9,310
Construction Materials	\$5,000
Total Estimated Rebate	\$14,310

Financial Implications



Expansion - Net City Revenue, No Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$920,000	\$3.6 Million
City Incentive	\$14,310	\$14,310
Net City Revenue	\$905,690	\$3.59 million

Financial Implications



Expansion - Net City Revenue, With Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$747,000	\$2.76 Million
City Incentive	\$14,310	\$14,310
Net City Revenue	\$732,690	\$2.75 Million

Financial Implications



Retention – Community Benefits (Economic Impacts)

New Community Benefits from Retention	4 Year Analysis	10 Year Analysis
Jobs	325	325
Total Value Added (Gross Metropolitan Product)	\$125 Million	\$372 Million

Financial Implications



Retention – City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$328,000	\$945,000
PSST	\$66,000	\$189,000
TOPS*	\$16,000	\$47,000
Real Property Tax	\$0	\$0
PPRTA* (70%)	\$115,000	\$331,000
2C*	\$102,000	\$293,000
Total Sales Tax Revenue	\$627,000	\$1.8 Million
Total New City Revenue (Gross)	\$627,000	\$1.8 Million

*Indicates item scheduled to sunset

Financial Implications



Retention – City Revenue (Fiscal Impacts), With Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$328,000	\$945,000
PSST	\$66,000	\$189,000
Real Property Tax	\$0	\$0
PPRTA	\$115,000	\$250,000
Total Sales Tax Revenue	\$509,000	\$1.38 Million
Total New City Revenue (Gross)	\$509,000	\$1.38 Million

Financial Implications



Combined – Community Benefits (Economic Impacts)

Combined Community Benefits	4 Year Analysis	10 Year Analysis
Jobs	872	1,058
Total Value Added (Gross Metropolitan Product)	\$255 Million	\$1.05 Billion

Financial Implications



Combined – City Revenue (Fiscal Impacts), No Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$808,000	\$2.8 Million
PSST	\$162,000	\$565,000
TOPS*	\$40,000	\$141,000
Real Property Tax	\$3,000	\$24,000
PPRTA*	\$283,000	\$990,000
2C*	\$251,000	\$876,000
Total Sales Tax Revenue	\$1.5 Million	\$5.4 Million
Total New City Revenue (Gross)	\$1.5 Million	\$5.4 Million

*Indicates item scheduled to sunset

Financial Implications



Combined – City Revenue (Fiscal Impacts), With Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$808,000	\$2.8 Million
PSST	\$162,000	\$565,000
Real Property Tax	\$3,000	\$24,000
PPRTA	\$283,000	\$726,000
Total Sales Tax Revenue	\$1.26 Million	\$4.1 Million
Total New City Revenue (Gross)	\$1.26 Million	\$4.1 Million

Financial Implications



Combined - Net City Revenue, No Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$1.5 Million	\$5.4 Million
City Incentive	\$14,310	\$14,310
Net City Revenue	\$1.49 Million	\$5.39 Million

Financial Implications



Combined - Net City Revenue, With Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$1.26 Million	\$4.1 Million
City Incentive	\$14,310	\$14,310
Net City Revenue	\$1.25 Million	\$4.09 Million

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 Strategic Plan
– Promoting Job Creation

Staff Recommendation



Approval of the proposed Economic Development Agreement

Questions?

