

Zivaro, Inc.

# Economic Development Agreement

Colorado Springs City Council  
Work Session  
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# Presentation Overview

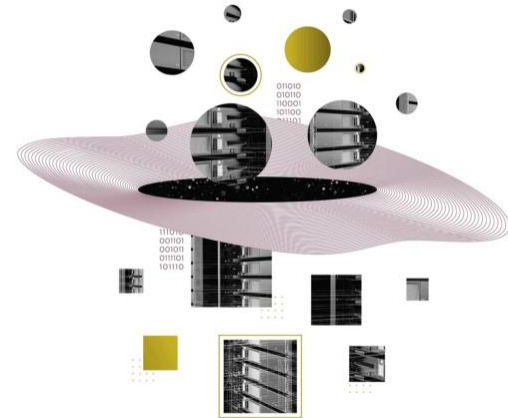


- Zivaro, Inc. Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
  - Expansion
  - Retention
  - Combined (Expansion & Retention)
- Staff Recommendation
- Questions
- Appendix

# Zivaro Overview



- Privately held, Colorado-based Information Technology company
- Provides managed, professional, and engineering services to highly regulated industries
  - Customers include federal government, healthcare, financial services, energy, and more
- Founded in 1998
- Headquarters located in Denver, CO
- Zivaro ranked as 5<sup>th</sup> fastest growing large private business in Colorado in 2020



# Zivaro Overview



# ZIVARO

- Approved for the **Job Growth Incentive Tax Credit** through the State of Colorado's Office of Economic Development & International Trade (OEDIT)
- Approved for the **Deal Closing Fund**
  - Both incentives are based on job creation and wages
  - Performance-based
- Announcement of Colorado Springs on December 16, 2022

# Zivaro Overview



Zivaro, Inc. is a rapidly growing information technology (IT) company that provides IT infrastructure, cybersecurity, and cloud solutions for a variety of highly regulated industries. Zivaro has a unique approach to managed IT and cloud services offered.

Zivaro intends to start a new business unit to further serve the U.S. Government, which will be a software development-intensive effort.

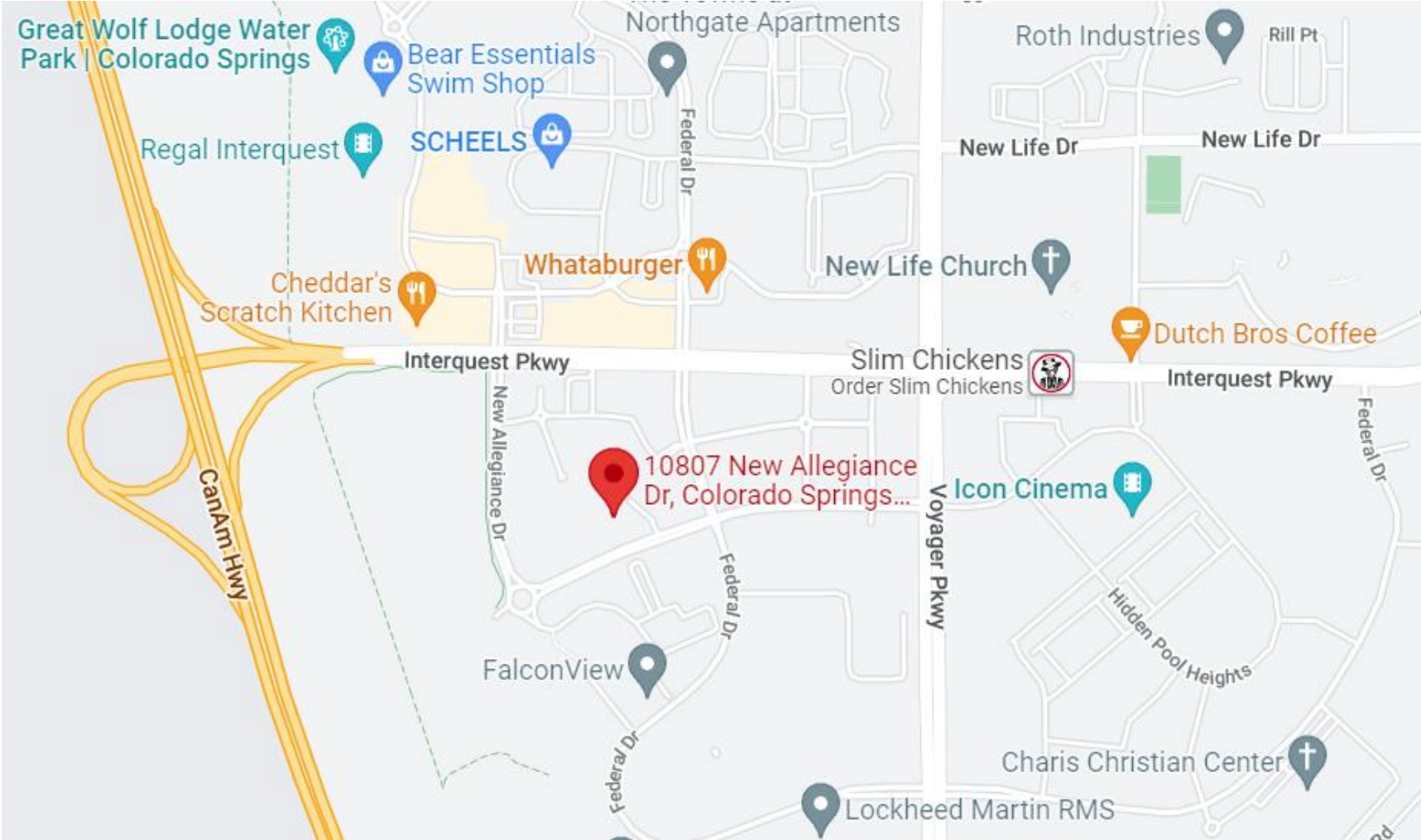
Colorado Springs was one of at least two locations the company considered for their expansion plans under the code name Project Dinosaur.

# Zivaro Overview



- Approximately 50 employees in Colorado Springs
- Over 95% of customers are outside of El Paso County
- Plans to remodel 12,000 square feet of office space at Colorado Springs location
- Plans to build out 5,000 square feet of SCIF (Sensitive Compartmented Information Facility) space
- Address: 10807 New Allegiance Drive

# Zivaro Overview



# Zivaro Overview



- Investment plans for expansion and job creation
  - \$5 million capital investment over 8 years
  - 300 jobs over 8 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)
  - Ten Year Agreement: 300 new jobs over lifetime of agreement

# 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	300
Indirect/Induced Jobs	510
<b>Total Permanent Jobs</b>	<b>810</b>

<b>New Community Benefits – Construction Jobs</b>	
<b>Total Construction Jobs</b>	<b>9</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>\$507 Million</b>	<b>\$51 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)	\$5.8 Million	\$578,000

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

\* See Appendix slide 29 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 &amp; Equipment, Furniture &amp; Fixtures)</i>	\$6,000
Construction Materials	\$21,975
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$27,975</b>

# 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)	\$5.8 Million	\$578,000
City Incentive	(\$27,975)	
<b>Total New City Revenue (Net)</b>	<b>\$5,746,992</b>	<b>\$574,699</b>

# 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	50
Indirect/Induced Jobs	85
<b>Total Permanent Jobs</b> (Direct and Indirect/Induced)	<b>135</b>

New Community Benefits from Retention	10 Year Total	Average Annual
<b>Total Value Added</b> (Gross Metropolitan Product)	<b>\$125 Million</b>	<b>\$12.5 Million</b>

# 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)	\$1.1 Million	\$111,000

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

\* See Appendix slide 30 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)	\$1.1 Million	\$111,000
City Incentive	(\$27,975)	
<b>Total New City Revenue (Net)</b>	<b>\$1,077,955</b>	<b>\$107,795</b>

# 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
<b>Expansion</b> - Total Permanent Jobs (Direct and Indirect/Induced)	810
<b>Retention</b> - Total Permanent Jobs (Direct and Indirect/Induced)	135
<b>Total Combined Permanent Jobs</b>	<b>945</b>

# Combined: Economic Impacts



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

Total Community Benefits	10 Year Total	Average Annual
<b>Expansion</b> - Total Value Added (Gross Metropolitan Product)	\$507 Million	\$51 Million
<b>Retention</b> - Total Value Added (Gross Metropolitan Product)	\$125 Million	\$12.5 Million
<b>Total Combined - Total Value Added</b> (Gross Metropolitan Product)	<b>\$632 Million</b>	<b>\$63 Million</b>

# 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)	\$6.9 Million	\$688,000

\* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.  
\* See Appendix slide 31 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)	\$6.9 Million	\$688,000
City Incentive	(\$27,975)	
<b>Total Combined New City Revenue (Net)</b>	<b>\$6,852,921</b>	<b>\$685,292</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 Zivaro, Inc.

# Questions?



# 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	\$3.1 Million	\$306,000
PSST	\$613,000	\$61,000
TOPS*	\$153,000	\$15,000
PPRTA* (70%)	\$1.1 Million	\$107,000
2C*	\$873,000	\$87,000
<b>Total New City Revenue (Gross)</b>	<b>\$5.8 Million</b>	<b>\$578,000</b>

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

\* Breakdown of calculations for slide 12

# 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	\$587,000	\$59,000
PSST	\$117,000	\$12,000
TOPS*	\$29,000	\$3,000
PPRTA* (70%)	\$205,000	\$21,000
2C*	\$167,000	\$17,000
<b>Total New City Revenue (Gross)</b>	<b>\$1.1 Million</b>	<b>\$111,000</b>

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

\* Breakdown of calculations for slide 17

# 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
Sales Tax – General Fund	\$3.7 Million	\$365,000
PSST	\$730,000	\$73,000
TOPS*	\$183,000	\$18,000
PPRTA* (70%)	\$1.3 Million	\$128,000
2C*	\$1 Million	\$104,000
<b>Total Combined New City Revenue (Gross)</b>	<b>\$6.9 Million</b>	<b>\$688,000</b>

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

\* Breakdown of calculations for slide 22