

# Project Bullseye

## Economic Development Agreement



# Colorado Springs City Council Work Session

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# Presentation Overview



- Project Bullseye Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
  - Expansion
  - Retention
  - Combined (Expansion & Retention)
- Staff Recommendation
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# Project Bullseye Overview



A rapidly growing small business that provides cybersecurity, software, and engineering solutions to government customers. The technology company has a unique approach to their services offered.

Project Bullseye 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 three locations the company is considering for their expansion plans.

# Project Bullseye Overview



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

# Project Bullseye Overview



Investment plans for expansion and job creation

- \$3.4 million capital investment over 10 years
  - \$2 million buildings and improvements
  - \$1 million furniture and fixtures
  - \$400,000 machinery and equipment
- 620 jobs over 8 years
- Average wage: \$153,125

# 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: 620 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



<b>New Community Benefits – Permanent Jobs</b>	<b>10 Year Total</b>
Direct Jobs	620
Indirect/Induced Jobs	1,053
<b>Total Permanent Jobs</b>	<b>1,673</b>

<b>New Community Benefits – Construction Jobs</b>	
<b>Total Construction Jobs</b>	<b>15</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>\$843 Million</b>	<b>\$84.3 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)	\$9 Million	\$904,000

\* 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 &amp; Equipment, Furniture &amp; Fixtures)</i>	\$14,000
Construction Materials	\$10,000
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$24,000</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)	\$9 Million	\$904,000
City Incentive	(\$24,000)	
<b>Total New City Revenue (Net)</b>	<b>\$9,013,348</b>	<b>\$901,335</b>

# 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	214
Indirect/Induced Jobs	363
<b>Total Permanent Jobs</b> (Direct and Indirect/Induced)	<b>577</b>

New Community Benefits from Retention	10 Year Total	Average Annual
<b>Total Value Added</b> (Gross Metropolitan Product)	<b>\$530 Million</b>	<b>\$53 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)	\$4.3 Million	\$435,000

\* 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)	\$4.3 Million	\$435,000
City Incentive	(\$24,000)	
<b>Total New City Revenue (Net)</b>	<b>\$4,323,534</b>	<b>\$432,353</b>

# 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
<b>Expansion</b> - Total Permanent Jobs (Direct and Indirect/Induced)	1,673
<b>Retention</b> - Total Permanent Jobs (Direct and Indirect/Induced)	577
<b>Total Combined Permanent Jobs</b>	<b>2,250</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)	\$843 Million	\$84.3 Million
<b>Retention</b> - Total Value Added (Gross Metropolitan Product)	\$530 Million	\$53 Million
<b>Total Combined - Total Value Added</b> (Gross Metropolitan Product)	<b>\$1.4 Billion</b>	<b>\$137 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)	\$13.4 Million	\$1.3 Million

\* 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)	\$13.4 Million	\$1.3 Million
City Incentive	(\$24,000)	
<b>Total Combined New City Revenue (Net)</b>	<b>\$13,360,881</b>	<b>\$1,336,088</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 Project Bullseye.

# 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	\$4.8 Million	\$479,000
PSST	\$959,000	\$96,000
TOPS*	\$240,000	\$24,000
PPRTA* (70%)	\$1.7 Million	\$168,000
2C*	\$1.4 Million	\$137,000
<b>Total New City Revenue (Gross)</b>	<b>\$9 Million</b>	<b>\$904,000</b>

\* 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	\$2.3 Million	\$231,000
PSST	\$461,000	\$46,000
TOPS*	\$115,000	\$12,000
PPRTA* (70%)	\$807,000	\$81,000
2C*	\$657,000	\$66,000
<b>Total New City Revenue (Gross)</b>	<b>\$4.3 Million</b>	<b>\$435,000</b>

\* 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	\$7.1 Million	\$710,000
PSST	\$1.4 Million	\$142,000
TOPS*	\$355,000	\$36,000
PPRTA* (70%)	\$2.5 Million	\$249,000
2C*	\$2 Million	\$202,000
<b>Total Combined New City Revenue (Gross)</b>	<b>\$13.4 Million</b>	<b>\$1.3 Million</b>

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

\* Breakdown of calculations for slide 23