

Project Thoroughbred Economic Development Agreement



Colorado Springs City Council Work Session

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Presentation Overview



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

Project Thoroughbred is a Colorado-Based engineering services company that provides systems engineering, software engineering, integration and testing services to the Department of Defense and other customers. The company currently employs 215 in Colorado Springs.

Project Thoroughbred Overview



- Project Thoroughbred is planning to add a new product line.
- Considering Colorado and two other states for this expansion
- Expansion will require additional space and renovation
- Project Thoroughbred will be seeking incentives from the State of Colorado in August

Project Thoroughbred Overview

Investment plans for expansion and job creation

- \$14.7 million capital investment over 10 years
 - \$12.8 million buildings and improvements
 - \$482,000 furniture and fixtures
 - \$1.3 million machinery and equipment
- 459 jobs over 10 years
- Average wage: \$143,625

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: 459 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



New Community Benefits – Permanent Jobs	10 Year Total
Direct Jobs	459
Indirect/Induced Jobs	780
Total Permanent Jobs	1,239

New Community Benefits – Construction Jobs	
Total Construction Jobs	45

New Community Benefits – GMP	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$605 Million	\$60.5 Million

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)	\$6.03 Million	\$603,000

* 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 & Equipment, Furniture & Fixtures)</i>	\$18,160
Construction Materials	\$64,219
Total Estimated Sales and Use Tax Rebate	\$82,379

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)	\$6.03 Million	\$603,000
City Incentive	\$82,379	
Total New City Revenue (Net)	\$5.9 Million	\$595,000

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	215
Indirect/Induced Jobs	365
Total Permanent Jobs (Direct and Indirect/Induced)	580

New Community Benefits from Retention	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$532 Million	\$53 Million

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)	\$4.4 Million	\$437,000

* 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)	\$4.4 Million	\$437,000
City Incentive	\$82,379	
Total New City Revenue (Net)	\$4.3 Million	\$429,000

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
Expansion - Total Permanent Jobs (Direct and Indirect/Induced)	1,239
Retention - Total Permanent Jobs (Direct and Indirect/Induced)	580
Total Combined Permanent Jobs	1,819

Combined: Economic Impacts



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

Total Community Benefits	10 Year Total	Average Annual
Expansion - Total Value Added (Gross Metropolitan Product)	\$605 Million	\$60.5 Million
Retention - Total Value Added (Gross Metropolitan Product)	\$532 Million	\$53 Million
Total Combined - Total Value Added (Gross Metropolitan Product)	\$1.14 Billion	\$113.5 Million

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)	\$10.4 Million	\$1.04 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)	\$10.4 Million	\$1.04 Million
City Incentive	\$82,379	
Total Combined New City Revenue (Net)	\$10.3 Million	\$1.03 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 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 Thoroughbred.

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	\$3,198,392	\$319,839
PSST	\$639,678	\$63,968
TOPS*	\$159,920	\$15,992
PPRTA* (70%)	\$1,119,437	\$111,944
2C*	\$911,542	\$91,154
Total New City Revenue (Gross)	\$6,028,969	\$602,897

* 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	\$2,317,163	\$231,716
PSST	\$463,433	\$46,343
TOPS*	\$115,858	\$11,586
PPRTA* (70%)	\$811,007	\$81,100
2C*	\$660,392	\$66,039
Total New City Revenue (Gross)	\$4,367,853	\$436,785

* 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	\$5,515,555	\$551,555
PSST	\$1,103,111	\$110,311
TOPS*	\$275,778	\$27,578
PPRTA* (70%)	\$1,930,444	\$193,044
2C*	\$1,571,934	\$157,193
Total Combined New City Revenue (Gross)	\$10,396,822	\$1,039,682

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

* Breakdown of calculations for slide 23