

# Project Kokua

## Economic Development Agreement



# Colorado Springs City Council

## Work Session

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# Presentation Overview



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

# Project Kokua Overview



- Project Kokua is a fabless semiconductor company focused on design and software solutions.
- Project Kokua intends to expand into a new strategic U.S. location to expand their capabilities.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering other U.S. locations for expansion.

# Project Kokua Overview, continued



- Plans to secure and remodel a new location to expand.
- Project Kokua 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:
  - \$9.7 million capital investment over 6 years
    - \$750,000 building and improvements
    - \$1.15 million furniture and fixtures
    - \$7.8 million machinery and equipment
  - 53 jobs over 6 years
  - Average wage: \$83,333

# 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 Machinery, Equipment, Furniture, and Fixtures (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: 33 new jobs over lifetime of agreement; 53 new jobs over 6 years



# 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                             | 35           | 53            |
| Indirect/Induced Jobs                   | 45           | 99            |
| <b>Total Permanent Jobs</b>             | <b>80</b>    | <b>152</b>    |

| New Community Benefits – Construction Jobs |          |
|--|----------|
| <b>Total Construction Jobs</b>             | <b>4</b> |

| New Community Benefits – GMP                             | 4 Year Total        | Average Annual     | 10 Year Total        | Average Annual      |
|--|---------------------|--------------------|----------------------|---------------------|
| <b>Total Value Added</b><br>(Gross Metropolitan Product) | <b>\$19,670,926</b> | <b>\$4,917,731</b> | <b>\$149,663,993</b> | <b>\$14,966,399</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)  | \$344,161    | \$86,040       | \$967,465     | \$96,746       |

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

\* See Appendix slide 20 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<br><i>(Machinery &amp; Equipment, Furniture &amp; Fixtures)</i> | \$65,000        |
| Construction Materials   | \$1,500         |
|  |                 |
| <b>Total Estimated Sales and Use Tax Rebate</b>  | <b>\$66,500</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)      | \$344,161        | \$86,040        | \$967,465        | \$96,746        |
| City Incentive                      | (-\$66,500)      |                 | (-\$66,500)      |                 |
| <b>Total New City Revenue (Net)</b> | <b>\$277,661</b> | <b>\$69,415</b> | <b>\$900,965</b> | <b>\$90,096</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



# 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 Kokua.

# 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              | \$182,579        | \$45,645        | \$513,244        | \$51,324        |
| PSST                                  | \$36,516         | \$9,129         | \$102,649        | \$10,265        |
| TOPS*                                 | \$9,129          | \$2,282         | \$25,662         | \$2,566         |
| PPRTA* (70%)                          | \$63,902         | \$15,976        | \$179,635        | \$17,964        |
| 2C*                                   | \$52,035         | \$13,009        | \$146,275        | \$14,627        |
| <b>Total New City Revenue (Gross)</b> | <b>\$344,161</b> | <b>\$86,040</b> | <b>\$967,465</b> | <b>\$96,746</b> |

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

\* Breakdown of calculations for slide 13