Kinder Morgan, Inc. Economic Development Agreement

Colorado Springs City Council Work Session September 8, 2014



#### Presentation Overview

- Kinder Morgan Background
- Proposed EDA
- Financial Analysis
- Staff Recommendation
- Questions

# Kinder Morgan Background

- Kinder Morgan is a Houston based energy company
- Largest midstream energy company in North America
- Fourth largest energy company in North America
- Operates 80,000 miles of pipeline and 180 terminals
- KM transports natural gas, refined petroleum products, crude oil and more





- Kinder Morgan family of companies includes four publicly traded entities
  - Kinder Morgan, Inc. (NYSE: KMI)
  - Kinder Morgan Energy Partners, L.P. (NYSE: KMP)
  - Kinder Morgan Management, LLC (NYSE: KMR)
  - El Paso Pipeline Partners (NYSE: EPB)
- KM operates an office facility in Colorado Springs located at 118 E. Pikes Peak
- KM employs approximately 400 in Colorado Springs
- Average wage of \$105,000





- In October 2011 Kinder Morgan reached an agreement to acquire El Paso Corporation
- El Paso Corporation, its subsidiaries and affiliates, including Colorado Interstate Gas have had a Colorado Springs presence since 1928
- In October 2011 KM formed merger transition teams to determine optimum locations for combined operations



- KM location options included:
  - Consolidation into existing Lakewood facility
  - Consolidation into Houston HQ
  - New facility located between Lakewood and Colorado Springs
  - Colorado Springs CBD new build
  - Colorado Springs existing suburban
  - Renovation of existing downtown Colorado Springs facility



- Retention of KM in Colorado Springs became top economic development priority
- Implications of losing KM include:
  - Significant economic impact citywide
  - Significant economic impact downtown
  - Disruption to downtown commercial office market



- Key location decision criteria
  - Business case for Colorado Springs
  - Cost and availability of parking
  - Speed in obtaining building permits
  - Cost differential vs. other options



- In May of 2013 KM determined it would continue operations in Colorado Springs and entered into a 20 year lease at their existing facility
- Decision to continue operations in Colorado Springs based upon:
  - Obtaining long term parking agreement
  - Commitment for Rapid Response
  - Good faith negotiations to enter into an Economic Development Agreement to partially offset cost differentials compared to other options

- Due to KM required timeline for completing lease agreement:
  - Parking Agreement resolved prior to lease execution
  - Commitment for Rapid Response made
  - Good faith negotiations regarding Economic Development Agreement to be completed upon
    - Completion of design and cost
    - Completion of EDA approval process by City



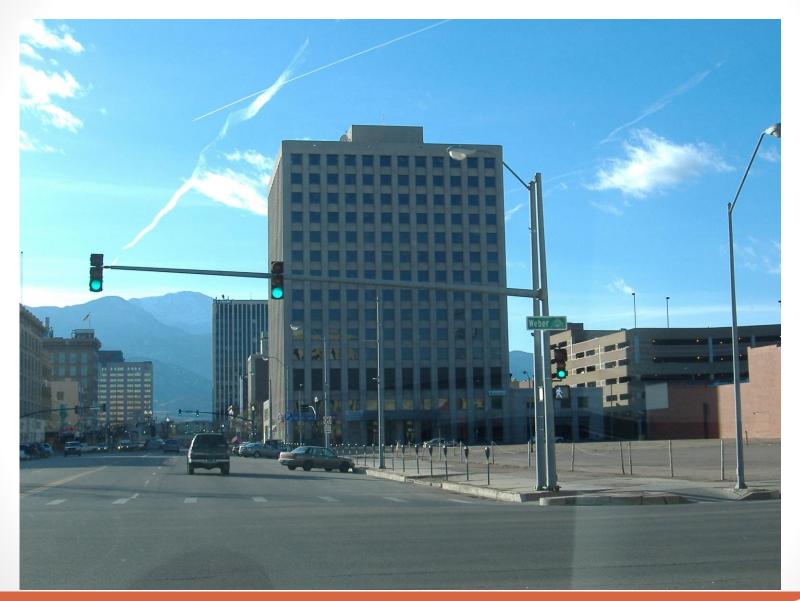


- Renovated office facility will consist of approximately 135,000 Square Feet
- Estimated cost of \$11 Million
- Building ownership will invest millions more in renovating the balance of the building
- Renovation work has commenced





#### Project Site: 118 E. Pikes Peak



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#### Proposed EDA

 Provide an economic development incentive measured by the City 2% sales and use tax paid on building materials used in the renovation of the Kinder Morgan office facility

- Economic Impact Analysis
- Analysis of Incentives



# Financial Implications 20 Year Analysis

Retained Community Benefits	Amount/Value	Amount/Value
	20 Year Total	Average/Year
Jobs	1,521	1,521
Wages	\$1.9 Billion	\$96 Million
Consumer/Non Consumer Spending	\$1.3 Billion	\$65 Million
PPRTA Revenue	\$4.9 Million	\$245,000
Local Gross Domestic Product	\$5.4 Billion	\$270 Million



#### 5 Year Analysis

Retained City Sales Tax Revenue	Amount/Value	Amount/Value
	20 Year Total	Average/Year
General Fund Sales Tax	\$9.8 Million	\$490,000
PSST	\$2 Million	\$98,000
Tops	\$500,000	\$25,000
Total Retained City Sales Tax Revenue	\$12.3 Million	\$613,000

#### 20 Year Analysis

Proposed City Incentives	Amount
Sales and Use Tax Rebate on Construction Materials (2%)	\$110,000
Total City Incentives	\$110,000

20 Year Analysis

Net City Revenues	Amount/Value	Amount/Value
	20 Year Total	Average/Year
Total Retained City Sales Tax Revenue	\$12,300,000	\$613,000
Total City Incentives	\$110,000	
Total Net City Revenues	\$12,190,000	\$610,000



### 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
  - The \$110,000 estimated value of City incentives is approximately:
    - 1.0% of the Company's projected \$11 million investment
    - 0.9% of the \$12.3 million in net City tax revenue





#### Other Considerations

- EDA is consistent with the City Council Strategic Plan
  - Enhance Colorado Springs business-friendly reputation
  - Facilitate Economic Growth
- EDA is consistent with community job retention efforts (supports an existing employer)
- EDA is consistent with community efforts to attract and retain quality primary jobs





#### Staff Recommendation

 Approval of the proposed Economic Development Agreement



#### Questions?



