

Project Octo

Economic Development Agreement

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Presentation Overview



- Project Octo 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 Octo Overview



Project Octo is a leading provider of smart, connected and secure embedded control solutions. The company's solutions serve more than 120,000 customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets.

Project Octo Overview



- Approximately 700 employees in Colorado Springs
- Plan to re-tool factory to increase output

Project Octo Overview



- Investment plans for expansion and job creation:
 - \$880 million capital investment over 6 years
 - \$97 million building and improvements
 - \$7 million furniture and fixtures
 - \$776 million machinery and equipment
 - 418 new jobs over 6 years
 - Average wage: \$72,148

Project Octo Overview



Incremental Utility Usage	
Electric Peak Demand (MW)	10 MW
Natural Gas (cf/day)	n/a
Peak Water (GPD)	n/a
Wastewater (GPD)	n/a

Proposed EDA



- Provide certain performance-based incentives as an inducement and to support the company's investment, job and wealth creation in Colorado Springs
- Incentives to be 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: 418 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

New Community Benefits – Permanent Jobs	10 Year Total
Direct Jobs	418
Indirect/Induced Jobs	779
Total Permanent Jobs	1,197

New Community Benefits – Construction Jobs	
Total Construction Jobs	492

New Community Benefits – GMP	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$1.4 Billion	\$144 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)	\$35,755,987	\$3,575,598

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

* See Appendix slide 28 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 (Machinery and Equipment)	\$7,830,000
Construction Materials	\$485,000
Total Estimated Sales and Use Tax Rebate	\$8,315,000

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)	\$35,755,897	\$3,575,598
City Incentive	(\$8,315,000)	(\$831,500)
Total New City Revenue (Net)	\$27,440,897	\$2,744,098

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	700
Indirect/Induced Jobs	1,304
Total Permanent Jobs (Direct and Indirect/Induced)	2,004

New Community Benefits from Retention	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$2.8 Billion	\$275 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)	\$9,017,554	\$901,759

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

* See Appendix slide [29](#) 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)	\$9,017,554	\$901,759
City Incentive	(N/A)	(N/A)
Total New City Revenue (Net)	\$9,017,554	\$901,759

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)	1,197
Retention - Total Permanent Jobs (Direct and Indirect/Induced)	2,004
Total Combined Permanent Jobs	3,201

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)	\$1.4 Billion	\$144 Million
Retention - Total Value Added (Gross Metropolitan Product)	\$2.8 Billion	\$275 Million
Total Combined - Total Value Added (Gross Metropolitan Product)	\$4.2 Billion	\$419 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)	\$44,773,541	\$4,477,354

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

* See Appendix slide 30 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)	\$44,773,541	\$4,477,354
City Incentive	(\$8,315,000)	\$(831,500)
Total Combined New City Revenue (Net)	\$36,458,541	\$3,645,854

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 Octo.

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	\$18,968,693	\$1,896,869
PSST	\$3,793,739	\$379,374
TOPS*	\$948,435	\$94,843
PPRTA* (70%)	\$6,639,042	\$663,904
2C*	\$5,406,078	\$540,608
Total New City Revenue (Gross)	\$35,755,987	\$3,575,598

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

* Breakdown of calculations for slide 11

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	\$4,783,848	\$478,385
PSST	\$956,770	\$95,677
TOPS*	\$239,192	\$23,919
PPRTA* (70%)	\$1,674,347	\$167,438
2C*	\$1,363,397	\$136,340
Total New City Revenue (Gross)	\$9,017,554	\$901,759

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

* Breakdown of calculations for slide 16

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	\$23,752,541	\$2,375,254
PSST	\$4,750,509	\$475,051
TOPS*	\$1,187,627	\$118,763
PPRTA* (70%)	\$8,313,389	\$831,339
2C*	\$6,769,475	\$676,948
Total Combined New City Revenue (Gross)	\$44,773,541	\$4,477,354

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

* Breakdown of calculations for slide 21