

Project Next

Economic Development Agreement

Colorado Springs City Council
Work Session
June 22, 2020

Bob Cope
Economic Development Officer



Presentation Overview



- Project Next Overview
- Proposed EDA
- Financial Analyses
- Staff Recommendation
- Questions

Project Next Overview



Project Next is a multinational enterprise information technology company. The company is a global edge-to-cloud Platform-as-a-Service company that helps organizations accelerate outcomes by unlocking value from all of their data, everywhere.

Project Next Overview



- Publically Traded
- 2019 Revenue: \$29 Billion
- 2019 Net Earnings: \$1.049 Billion
- 2019 Net Assets: \$17 Billion
- Market Capitalization (6-8-20): \$15.03 Billion

Project Next Overview



- Expanding at its facilities on existing campus located in Colorado Springs.
- Currently have 216 employees
 - Current Average Wage \$80,000
- Business expansion efforts in collaboration with:
 - Colorado Springs Chamber & EDC
 - Colorado State EDC
 - Job Growth Incentive Tax Credit
- Company is evaluating making this investment in Colorado Springs OR Texas

Project Next Overview



- Investment plans for expansion and job creation
 - \$8.2 million capital investment
 - 40 new jobs over 2 years
 - **Average wage: \$110,000**

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)
 - Four Year Agreement – 40 new jobs over the 4 year term of agreement

Financial Implications



Expansion – New Community Benefits (Economic Impacts)

New Community Benefits from Expansion	4 Year Analysis	10 Year Analysis
Jobs	88	88
Total Value Added (Gross Metropolitan Product)	\$25 Million	\$84 Million

Financial Implications



Expansion – New City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax – <i>General</i> Fund	\$207,000	\$437,000
PSST*	\$41,000	\$87,000
TOPS*	\$10,000	\$22,000
PPRTA* (70%)	\$72,000	\$153,000
2C*	\$59,000	\$125,000
Total Sales Tax Revenue	\$389,000	\$824,000
Total New City Revenue (Gross)	\$389,000	\$824,000

*Indicates item scheduled to sunset

Financial Implications



Expansion – New City Revenue (Fiscal Impacts), With Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax – <i>General</i> Fund	\$207,000	\$437,000
PSST*	\$41,000	\$87,000
TOPS*	\$10,000	\$11,000
PPRTA* (70%)	\$72,000	\$72,000
2C*	\$59,000	\$63,000
Total Sales Tax Revenue	\$389,000	\$670,000
Total New City Revenue (Gross)	\$389,000	\$670,000

*Indicates item scheduled to sunset

Financial Implications



City Sales and Use Tax Rebates Over 4 Year Agreement

Rebate	Total
Business Personal Property (Machinery and Equipment)	\$15,000
Construction Materials	\$33,500
Total Estimated Rebate	\$48,500

Financial Implications



Expansion - Net City Revenue, No Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$389,000	\$824,000
City Incentive	\$48,500	\$48,500
Net City Revenue	\$340,500	\$775,500

Financial Implications



Expansion - Net City Revenue, With Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$389,000	\$670,000
City Incentive	\$48,500	\$48,500
Net City Revenue	\$340,500	\$621,500

Financial Implications



Retention – Community Benefits (Economic Impacts)

New Community Benefits from Retention	4 Year Analysis	10 Year Analysis
Jobs	474	474
Total Value Added (Gross Metropolitan Product)	\$162 Million	\$476 Million

Financial Implications



Retention – City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$504,000	\$1.4 Million
PSST	\$101,000	\$286,000
TOPS*	\$25,000	\$72,000
PPRTA* (70%)	\$176,000	\$501,000
2C*	\$144,000	\$408,000
Total Sales Tax Revenue	\$950,000	\$2.7 Million
Total New City Revenue (Gross)	\$950,000	\$2.7 Million

*Indicates item scheduled to sunset

Financial Implications



Retention – City Revenue (Fiscal Impacts), With Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$504,000	\$1.4 Million
PSST	\$101,000	\$286,000
TOPS*	\$25,000	\$36,000
PPRTA* (70%)	\$176,000	\$200,000
2C*	\$144,000	\$204,000
Total Sales Tax Revenue	\$950,000	\$2.1 Million
Total New City Revenue (Gross)	\$950,000	\$2.1 Million

*Indicates item scheduled to sunset

Financial Implications



Retention - Net City Revenue, No Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$950,000	\$2.7 million
City Incentive	\$48,500	\$48,500
Net City Revenue	\$901,500	\$2.65 Million

Financial Implications



Retention - Net City Revenue, With Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$950,000	\$2.1 Million
City Incentive	\$48,500	\$48,500
Net City Revenue	\$901,500	\$2.05 Million

Financial Implications



Combined – Community Benefits (Economic Impacts)

Combined Community Benefits	4 Year Analysis	10 Year Analysis
Jobs	562	562
Total Value Added (Gross Metropolitan Product)	\$187 Million	\$560 Million

Financial Implications



Combined – City Revenue (Fiscal Impacts), No Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$711,000	\$1.8 Million
PSST	\$142,000	\$373,000
TOPS*	\$35,000	\$94,000
PPRTA* (70%)	\$248,000	\$654,000
2C*	\$203,000	\$533,000
Total Sales Tax Revenue	\$1.3 Million	\$3.5 Million
Total New City Revenue (Gross)	\$1.3 Million	\$3.5 Million

*Indicates item scheduled to sunset

Financial Implications



Combined – City Revenue (Fiscal Impacts), With Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$711,000	\$1.8 Million
PSST	\$142,000	\$373,000
TOPS*	\$35,000	\$47,000
PPRTA* (70%)	\$248,000	\$272,000
2C*	\$203,000	\$267,000
Total Sales Tax Revenue	\$1.3 Million	\$2.8 Million
Total New City Revenue (Gross)	\$1.3 Million	\$2.8 Million

*Indicates item scheduled to sunset

Financial Implications



Combined - Net City Revenue, No Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$1.3 Million	\$3.5 Million
City Incentive	\$48,500	\$48,500
Net City Revenue	\$1.25 Million	\$3.45 Million

Financial Implications



Combined - Net City Revenue, With Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$1.3 Million	\$2.8 Million
City Incentive	\$48,500	\$48,500
Net City Revenue	\$1.25 Million	\$2.75 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 the proposed Economic Development Agreement

Questions?

