



Legislation Text

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A Resolution approving an Economic Agreement between the City of Colorado Springs and Project Star Trek

Presenter:

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Summary:

Project Star Trek is a rapidly growing high-tech small business that provides technology services and software products to government and commercial customers. The technology company has a unique approach to their services offered. Project Star Trek intends to expand into a new strategic location to expand their capabilities and to be in proximity to customers. Colorado Springs is one of at least six locations the company is considering for their expansion plans. Project Star Trek is a Primary Employer, as they generate more than 50% of their revenue from outside of El Paso County. Project Star Trek plans to secure and remodel an existing commercial location, mostly of office space and some secure facilities. The company currently employs 70 employees at its Colorado Springs location, and over the next three years plans to hire an additional 200 employees. With the creation of these new full-time jobs, Project Star Trek desires to invest in business personal property, including furniture, fixtures, machinery, equipment, and construction materials for its facilities redevelopment and expansion. The Executive Branch is recommending that the City provide certain performance-based incentives for the company investment and job growth.

Previous Council Action:

N/A

Background:

Project Star Trek has investment plans for business personal property, construction materials, and job creation for its Colorado Springs facilities. The company estimates that it will invest \$15 million in purchases of construction materials, furniture, fixtures, machinery, and equipment. The company expects to hire 200 new full-time employees over the next 3 years at an average wage of \$140,000.

The Executive Branch is recommending that the City enter into an Economic Development Agreement to provide certain performance-based incentives for the company to invest in business personal property, construction materials, and job creation.

The proposed City incentives are:

Sales and Use Tax Rebate on Annual Purchases of Business Personal Property (50% of the City's 2% General Fund Rate, or a 1% Total Rebate).

Sales and Use Tax Rebate on Purchases of Construction Materials (50% of the City's 2% General Fund Rate, or a 1% Total Rebate).

The Executive Branch is recommending a ten (10) year agreement based on the level of projected investment and new job creation.

Financial Implications:

City staff has conducted an Economic and Fiscal Impact Analysis (EFIA) to quantify the estimated economic benefit to the City that is expected to be derived by the expansion of Project Star Trek in Colorado Springs. The following is a summary of the results:

COMMUNITY BENEFITS (ECONOMIC IMPACTS)

10 Year Jobs Impact - Combined (Expansion & Retention): 729

The analysis indicates a combined jobs impact from Project Star Trek's operations over a 10-year period as follows: 540 jobs from expansion, 189 jobs from retention, resulting in a total combined permanent jobs impact of 729.

10 Year Local GMP Impact - Combined (Expansion & Retention): \$628 Million

The analysis indicates a combined growth in Gross Metropolitan Product (GMP) over a 10-year period as follows: \$455 million from expansion, \$174 million from retention, resulting in a total combined GMP growth of \$628 million.

CITY REVENUE (FISCAL IMPACTS)

10 Year City Incentives : \$102,590

City incentives for Project Star Trek are estimated to be \$102,590 over 10 years.

10 Year Net New City Revenue - Combined (Expansion & Retention): \$6.1 Million

The analysis indicates a combined net new city revenue from the Project Star Trek facilities in Colorado Springs over a 10-year period as follows: \$4.6 million from expansion, \$1.4 million from retention, resulting in a combined net new city revenue of \$6.1 million*.

(*Figures may not total due to rounding of estimates; net city revenues include items scheduled to sunset.)

The proposed incentive structure incurs no financial risk since it is strictly performance-based and revenue is rebated to the company only after it has been collected.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Proposed Motion:

Approve a resolution approving an Economic Agreement between the City of Colorado Springs and Project Star Trek

Ordinance Language:

N/A