



Legislation Text

File #: 23-025, **Version:** 1

A resolution approving an Economic Development Agreement between the City of Colorado Springs and Project Octo.

Presenter:

Bob Cope, Economic Development Officer

Summary:

Project Octo is a leading provider of smart, connected and secure embedded control solutions. The company's solutions serve customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets. The company plans to upgrade and expand its facilities in Colorado Springs. Project Octo expects a significant investment of approximately \$880 million in construction and machinery and equipment over 6 years. The expansion will create an estimated 418 direct jobs over 6 years with an average wage of \$72,148 which is 21% above El Paso County's Average Annual Wage. The company currently employs approximately 700 in Colorado Springs.

Background:

The company plans to upgrade and expand its facilities in Colorado Springs. Project Octo expects a significant investment of approximately \$880 million in construction and machinery and equipment over 6 years. The expansion will create an estimated 418 direct jobs over 6 years with an average wage of \$72,148 which is 21% above El Paso County's Average Annual Wage. The Company currently employs approximately 700 in Colorado Springs. This is a competitive project in that the company is seeking to invest its capital in the most efficient and productive manner when comparing opportunities at its other existing facilities in the US. Performance-based incentives have been proposed by the City of Colorado Springs, El Paso County, Colorado Springs Utilities, and the Colorado Springs Chamber and EDC.

As an inducement to Project Octo to undertake the investment in Colorado Springs, the Administration is recommending that the City enter into an Economic Development Agreement (EDA) with the company that will provide for certain performance-based incentives. The proposed incentives are:

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

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)

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

Previous Council Action:

N/A

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 Octo in Colorado Springs. The following is a summary of the results:

COMMUNITY BENEFITS (ECONOMIC IMPACTS)

10 Year Jobs Impact - Combined (Expansion & Retention): 3,201

The analysis indicates a total combined jobs impact from Project Octo's operations over a 10-year period as follows: 1,197 jobs from expansion, 2,004 jobs from retention, resulting in a total combined permanent jobs impact of 3,201.

10 Year Local GMP Impact - Combined (Expansion & Retention): \$4.2 Billion

The analysis indicates a combined growth in Gross Metropolitan Product (GMP) over a 10-year period as follows: \$1.4 Billion from expansion, \$2.8 Billion from retention, resulting in a total combined GMP growth of \$4.2 Billion.

CITY REVENUE (FISCAL IMPACTS)

10 Year City Incentives: \$8,315,000

City incentives for Project Octo are estimated to be \$8,315,000 over 10 years.

10 Year Net New City Revenue - Combined (Expansion & Retention): \$36.5 Million

The analysis indicates a combined net new city revenue from the Project Octo facilities in Colorado Springs over a 10-year period as follows: \$27.4 million from expansion, \$9 million from retention, resulting in a combined net new city revenue of \$36.5 million.

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.

City Council Appointed Board/Commission/Committee Recommendation:

Enter Board, Commission, or Committee recommendation. Enter N/A if not applicable.

Stakeholder Process:

N/A

Alternatives:

City Council can approve, deny, or refer to staff.

Proposed Motion:

Approve the resolution approving an Economic Development Agreement between the City of Colorado Springs and Project Octo.

N/A