



Legislation Text

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A Resolution Approving an Economic Development Agreement Between the City of Colorado Springs and Project Next

Presenter:

Bob Cope, Economic Development Officer

Summary:

Project Next is a multi-national 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.

The company is expanding its capabilities and is focusing its growth, not only on research and development but now end-to-end development. This project request is for the City's participation to support Project Next's expansion plans in Colorado Springs, totaling at least 40 new information technology jobs and approximately \$8,200,000 in capital improvements. The company is evaluating Colorado Springs or Texas for this expansion. The Executive Branch is recommending that the City provide certain performance-based incentives for the company's investment and job growth.

Background:

Project Next has investment plans for business personal property, construction materials, and job creation for its Colorado Springs facilities. The company estimates that it will invest \$8.2 million in purchases of construction materials, equipment, and furniture and fixtures. The company expects to hire 40 new full-time employees over the next 4 years at an average wage of \$110,000.

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 four (4) 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 Impact Analysis (EIA) to quantify the estimated economic benefit to the City that is expected to be derived by the expansion of Project Next in Colorado Springs. The following is a summary of the results:

COMMUNITY BENEFITS (ECONOMIC IMPACTS)

4 Year Jobs Impact: 562

The EIA indicates a jobs impact from Project Next operations over a 4 year period as follows: 88 jobs from expansion, 474 jobs from retention, and a combined jobs impact of 562.

4 Year Projected Impact to Local GMP: \$187 Million

The EIA indicates growth in Gross Metropolitan Product (GMP) over a 4 year period as follows: \$25 million from expansion, \$162 million from retention, and a combined GMP growth of \$187 million.

10 Year Jobs Impact: 562

The EIA indicates a jobs impact from Project Next operations over a 10 year period as follows: 88 jobs from expansion, 474 jobs from retention, and a combined jobs impact of 562.

10 Year Projected Impact to Local GMP: \$560 Million

The EIA indicates growth in Gross Metropolitan Product (GMP) over a 10 year period as follows: \$84 million from expansion, \$476 million from retention, and a combined GMP growth of \$560 million.

CITY REVENUE (FISCAL IMPACTS)

4 Year City Incentives: \$48,500

City incentives for Project Next are estimated to be \$48,500 over 4 years.

4 Year Net City Revenue: \$1.25 Million

The EIA indicates net city revenue from the Project Next facilities in Colorado Springs over a 4 year period as follows: \$340,500 from expansion, \$901,500 from retention, and combined net city revenue of \$1.25 million*. (*Net city revenues include items scheduled to sunset.)

10 Year Net City Revenue: \$3.45 Million

The EIA indicates net city revenue from the Project Next facilities in Colorado Springs over a 10 year period as follows: \$775,000 from expansion, \$2.65 million from retention, and combined net city revenue of \$3.45 million*. (*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.

City Council Appointed Board/Commission/Committee Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Approve the Resolution approving an Economic Development Agreement between the City of Colorado Springs and Project Next.

N/A