



Legislation Text

File #: 15-00372, **Version:** 2

Ordinance No. 15-46 creating a new Article 12 (Economic Development Agreements) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City of Colorado Springs 2001, as amended, authorizing economic development agreements with businesses performing commercial aeronautical activities within the commercial aeronautical zone.

From:

Dan Gallagher, Director of Aviation, Airport

Summary:

In 2004, City Council established guidelines for economic development agreements ("EDA") with businesses and prospective employers seeking to relocate to or expand within the City. Upon negotiation of tax incentives to be provided to such businesses and employers, City staff presents the proposed agreements to City Council for authorization to execute the agreements. In 2014, City Council established a commercial aeronautical zone ("CAZ") and sales and use tax exemption for certain commercial aeronautical activities within the CAZ, which has generated an unprecedented increase in commercial aeronautical businesses and employers that are considering relocating to or expanding within the CAZ.

The current EDA process can take months to complete, which may result in businesses delaying commitments to relocate to or expand within the City, reducing investments in the City, or discontinuing discussions with the City altogether.

The proposed ordinance authorizes the negotiation and execution of EDAs with businesses performing commercial aeronautical activities located off-Airport within the CAZ as set forth in the proposed ordinance. This process will assist in streamlining the EDA process within the CAZ, stimulate economic development in Colorado Springs, and help make the City more business friendly.

Previous Council Action:

City Council previously approved Resolution No. 203-04 on September 28, 2004.

Background:

In September 2004, City Council passed Resolution No. 203-04, which authorized business personal property tax rebates to encourage private investment and job creation in Colorado Springs. Upon negotiation of incentives to be provided to such businesses and employers, City staff presents the proposed economic development agreements ("EDAs") to City Council for authorization to execute the agreements. In 2014, City Council established a commercial aeronautical zone ("CAZ") and sales and use tax exemption for certain commercial aeronautical activities within the CAZ, which has generated an unprecedented increase in commercial aeronautical businesses and employers that are considering relocating to or expanding within the CAZ.

An important element of the aircraft maintenance, repair and overhaul (MRO) industry is the management and

control of supply-chain vendors. An emerging trend in this industry is the co-locating of suppliers and vendors to facilitate efficiencies.

Additionally, when an MRO operator benefits from certain local tax incentives, suppliers expect to have the similar benefits in order to establish a successful business environment for all qualifying companies, and they will not relocate near their MRO operator unless such incentives are guaranteed to them.

Current EDA procedures require staff to seek authorization from City Council prior to executing EDAs with prospective businesses and employers. While well-intentioned, these procedures hinder the efficiency of doing business in the City, as staff cannot guarantee any incentives will be provided until City Council approves and authorizes execution of the EDA. The nature of the industry is such that companies will not invest or commit to buy or lease property in the City without guaranteed incentives, which staff is unable to offer because of the existing EDA procedures and City Council process.

Moreover, the Airport has the potential to be an even greater economic driver for the region, as potential investors are seeking to establish additional assembly and manufacturing facilities on Airport property and attract suppliers to also relocate or expand nearby. In light on increased interest in development and use of existing facilities at and near the Airport from local, national and global investors, the City may be missing out on substantial growth opportunities and investments due to inefficient processes.

Therefore, Airport recommends that City Council authorize the negotiation and execution of EDAs with potential businesses and employers performing commercial aeronautical activities located off-Airport within the CAZ as proposed in this ordinance.

Financial Implications:

N/A

Board/Commission Recommendation:

The Airport's strategic initiatives are regularly presented to the Airport Advisory Commission for its consideration and public input. The Airport Advisory Commission has been briefed on this strategy and the proposed ordinance and has unanimously voted to offer the attached letter of support.

Stakeholder Process:

Prior to briefing and obtaining the support of the Airport Advisory Commission, Airport staff has developed this proposed item with the assistance of various stakeholders, including but not limited to City Finance, City Attorney's Office, Economic Vitality, and El Paso County and discussed the implications of the proposed ordinance with prospective and current tenants of the Airport property.

Alternatives:

If City Council does not adopt the proposed ordinance, the existing EDA process will remain in effect, but further business retention, expansion and attraction will be restricted.

Proposed Motion:

Move to approve an ordinance creating a new Article 12 (Economic Development Agreements) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City of Colorado Springs 2001, as amended, authorizing economic development agreements with businesses performing commercial aeronautical activities within the commercial aeronautical zone.

An ordinance authorizing economic development agreements with businesses performing commercial

aeronautical activities within the commercial aeronautical zone.