



Legislation Text

File #: 15-00370, **Version:** 3

Ordinance No. 15-48 amending Section 450 (Sales and Use Tax in a Commercial Aeronautical Zone) of Part 4 (Exempt Transactions, Commodities and Persons; Deductions) of Article 7 (Sales and Use Tax) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City of Colorado Springs 2001, as amended, pertaining to expanded geographical area for commercial aeronautical zone and approving and adopting commercial aeronautical zone map.

From:

Dan Gallagher, Director of Aviation, Airport

Summary:

In April of 2014, City Council approved Ordinance No. 14-22 creating a Commercial Aeronautical Zone (CAZ) within which businesses engaged in qualifying commercial aeronautical activities would be exempt from City sales and use tax.

Since its inception, the CAZ has exceeded all expectations, creating greater development opportunities and demand than initially anticipated. Therefore, Airport staff is requesting authority to expand the current boundaries of the CAZ to accommodate present and future demand while fostering business retention, expansion and attraction.

Previous Council Action:

City Council previously approved Ordinance No. 14-22 on April 8, 2014.

Background:

In an effort to encourage businesses to remain, expand and relocate to Colorado Springs, City Council approved Ordinance No. 14-22 and created a Commercial Aeronautical Zone (CAZ) recognizing tax incentives for aeronautical businesses. Companies located within the CAZ benefit from sales and use tax exemptions for engaging in a variety of qualifying aeronautical activities.

As currently defined by City Code, the CAZ is the area within the geographical boundaries of the Airport and properties with frontage on a roadway within, or contiguous to, the geographical boundaries of the Airport.

The CAZ program, along with other Airport marketing and business initiatives, has produced results that have far exceeded our expectations. The Airport initially anticipated the CAZ would create 350 jobs over five years. However, since its inception, the CAZ has already generated nearly 100 jobs and is projected to create up to 3,000 jobs over the next four years based on businesses already committed to locating to or expanding within the CAZ.

Therefore, in light of this unexpected level of success and the increased interest of commercial aeronautical businesses in locating to or expanding near the Airport but not currently within the CAZ, Airport staff is requesting that City Council expand the CAZ beyond its current geographical boundaries to include the

portions designated as part of the El Paso County Enterprise Zone ("Enterprise Zone") located within the City and contiguous to the existing geographical CAZ boundaries, effective July 1, 2015. This expansion will accomplish the following objectives:

- enlarge the CAZ to accommodate present and future demand and include properties currently located outside the CAZ but within the Enterprise Zone boundaries adjacent to the existing CAZ
- expand the existing CAZ boundaries to include portions of the regional Enterprise Zone and offer tax incentives consistent with and authorized by the State of Colorado's Enterprise Zone program
- catalyze job growth and drive private investment by encouraging businesses to relocate to Colorado Springs, thus fostering business retention, expansion and attraction

In addition to expanding the CAZ boundaries, the proposed ordinance includes in the amended City Code § 2.7.450B all of the commercial aeronautical activities mentioned in § 2.7.450A and clarifies that the CAZ sales and use tax exemption is available to qualifying "persons" performing commercial aeronautical activities and not only to "businesses." These amendments are being proposed for consistency and to avoid confusion.

Finally, the proposed ordinance approves and adopts a commercial aeronautical zone map dated _____, 2015, to depict the expanded CAZ boundaries in accord with the proposed amendment to City Code § 2.7.450B.

Financial Implications:

Based on historical analysis by the City of Colorado Springs Sales Tax Office, this ordinance item may have a fiscal annual impact currently estimated to be \$58,821.30.

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 CAZ boundaries will remain in effect, but further business retention, expansion and attraction will be restricted.

Proposed Motion:

Move to approve an ordinance amending Section 450 (Sales and Use Tax in a Commercial Aeronautical Zone) of Part 4 (Exempt Transactions, Commodities and Persons; Deductions) of Article 7 (Sales and Use Tax) of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City of Colorado Springs 2001, as amended, pertaining to expanded geographical area for commercial aeronautical zone and approving and adopting commercial aeronautical zone map.

An ordinance pertaining to expanded geographical area for commercial aeronautical zone and approving and adopting commercial aeronautical zone map.