



Legislation Text

File #: 15-00371, **Version:** 2

Ordinance No. 15-45 amending Section 201 (Definitions) and adding a new Section 213 (Economic Development Agreements) of Part 2 (General Provisions) of Article 1 (Municipal Airport) of Chapter 14 (Municipal Enterprises) of the Code of the City of Colorado Springs 2001, as amended, authorizing economic development agreements with businesses performing commercial aeronautical activities at the Colorado Springs Municipal Airport.

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.

At present, there is no distinction in the existing EDA process for either on-Airport or off-Airport property development. However, there are fundamental differences between the former and the latter, thus warranting changes to the EDA process specifically suited for each type of property development.

In addition, 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.

Therefore, Airport staff is proposing changes to the EDA process particularly suited for on-Airport developments via an authorization to negotiate and execute EDAs as set forth in the proposed ordinance in order to enhance economic developments at the Colorado Springs Airport 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.

Currently, the economic development guidelines make no distinctions between on-Airport and off-Airport property development. However, there are significant differences and constraints inherent to on-Airport development.

A primary difference between off-Airport and on-Airport development is that the latter functions under the reversionary right clause, wherein tenants return initial capital investment(s) to the Airport upon expiration of their lease agreements. Therefore, while off-Airport properties belong to property owners in perpetuity, on-Airport properties revert back to the City upon expiration of the lease agreements.

Due to the reversionary right clause, tenants of on-Airport properties typically recover their return on capital investment within the initial term of the lease. This has a significant impact on the cost of products and services, thus impacting competitive advantage and potentially delaying economic development opportunities at the Airport. Conversely, off-Airport properties belong to property owners indefinitely. Hence, these owners can establish costs of goods and services with the full rights and privileges of asset ownership. Therefore, as currently applied to both on- and off-Airport properties, incentives offered by the City under the existing EDA process create more lucrative opportunities for off-Airport developments without taking into consideration the City's reversionary interest in on-Airport development. This results in a competitive disadvantage for on-Airport investments when competing with developers at other airports.

In light of the differences between on-Airport and off-Airport private investments, Airport staff, along with the Airport Advisory Commission, recommends authorization of EDAs for on-Airport investments as defined in the proposed ordinance.

In addition, 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. In light of increased interest in development and use of existing facilities at 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 staff recommends that City Council authorize the negotiation and execution of EDAs with potential tenants performing commercial aeronautical activities at the Airport 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 amending Section 201 (Definitions) and adding a new Section 213 (Economic Development Agreements) of Part 2 (General Provisions) of Article 1 (Municipal Airport) of Chapter 14 (Municipal Enterprises) of the Code of the City of Colorado Springs 2001, as amended, authorizing economic development agreements with businesses performing commercial aeronautical activities at the Colorado Springs Municipal Airport.

An ordinance authorizing economic development agreements with businesses performing commercial aeronautical activities at the Colorado Springs Municipal Airport.