



## Legislation Text

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**File #:** 19-112, **Version:** 2

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Ordinance No. 19-13 Creating a New Part 13 (Temporary Sales Tax Credit in Designated Geographic Areas With Public Improvement Fees) 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, Providing for the Temporary Reduction of City Sales Tax Within Certain Designated Geographic Areas for the Purpose of Funding Public Improvements and Supporting Economic Development Through Public Improvement Fees.

**Presenter:**

Bob Cope, Economic Development Officer

**Summary:**

Scheels All Sports, Inc., was founded in 1902. It is an employee-owned, privately held company, with 27 locations and 6,000 employees. It is headquartered in Fargo, ND. Scheels operates unique and extraordinary sporting goods stores in select markets in the U.S. Scheels is proposing to locate a new 220,000 square foot store in Colorado Springs. The company projects that it will invest \$84 million in land, building, furniture, fixtures and equipment. Scheels projects that it will create approximately 400 direct jobs at the new store facility.

The Executive Branch is recommending that the City approve a mechanism commonly known as a Credit PIF as an inducement to Scheels to invest in a new store facility and associated public improvements in Colorado Springs.

The Ordinance before City Council will be of general applicability to allow temporary reduction (up to 25 years) of the 2% general municipal sales tax to a rate of not less than 1% of the sales price, upon taxable sales, in designated geographic areas approved by Council, where a corresponding public improvement fee has been imposed meeting the requirements of the Ordinance. The Ordinance sets the criteria for granting the temporary reduction, which is to be implemented through a Credit PIF Agreement between an employer or developer, a governmental district and the City.

Upon approval of this Ordinance by Council, it is intended that a Credit PIF Agreement will be brought before City Council to implement the arrangement with Scheels. The governmental entity participating will be the Interquest North Business Improvement District. That agreement will be available to Council as soon as negotiations are complete.

**Previous Council Action:**

N/A

**Background:**

Scheels is proposing to construct a new 220,000 square foot store in Colorado Springs, located in

the Interquest Marketplace near the northeast corner of Interquest and I-25. The company projects that it will invest \$84 million in land, building, furniture, fixtures and equipment. Scheels projects that it will create approximately 400 direct jobs at the new store facility at an average salary of \$46,250. Projected retail sales for the Colorado Springs Scheels store are \$60 million annually. It is projected that 40% to 50% of sales will come from outside of the trade area.

The Executive Branch is recommending that the City adopt an Ordinance providing for a temporary reduction of City sales tax within certain designated geographic areas, for the purpose of funding public improvements through public improvement fees. The Executive Branch is also recommending that the City enter into a Credit PIF Agreement with Scheels, providing for the collection of a public improvement fee by the company within a certain geographic area, in accordance with the proposed Ordinance. Together, the proposed Ordinance and the proposed Credit PIF Agreement create a mechanism commonly known as a Credit PIF.

Through the temporary sales tax reduction provided through the Ordinance, a Credit PIF results in total sales taxes and public improvement fees for customers equal to what would have paid in absence of the PIF. A typical "Add on PIF" results in total sales taxes and public improvement fees for customers greater than what would have been paid in absence of the PIF.

The Executive Branch is recommending that the City's 2% General Fund sales tax be temporarily reduced by 50%, resulting in a temporarily reduced rate of 1% for a period of 25 years. The Executive Branch is also recommending that the City enter into a Credit PIF Agreement providing for the collection of a Public Improvement Fee of 1% by Scheels for a period of 25 years. It is estimated that the 1% PIF would generate approximately \$16 million over 25 years.

#### **Financial Implications:**

An economic and fiscal impact analysis indicates that the City of Colorado Springs will experience significant economic and fiscal benefits as a result of the project. Significant economic impacts include 545 permanent direct, indirect, and induced jobs; and an estimated \$1.5 billion in economic growth over 25 years, or approximately \$60 million annually.

The analysis indicates significant net new tax revenue to the City of approximately \$40 million over 25 years, including approximately \$20 million to the General Fund. The analysis also indicates that the City would benefit from approximately \$13 million in PPRTA revenue over 25 years.

#### **Board/Commission Recommendation:**

N/A

#### **Stakeholder Process:**

N/A

#### **Alternatives:**

N/A

#### **Proposed Motion:**

Adopt an ordinance creating a new Part 13 (Temporary Sales Tax Credit in Designated Geographic Areas with Public Improvement Fees) 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, providing for the temporary reduction of City sales tax within certain designated

geographic areas for the purpose of funding public improvements and supporting economic development through public improvement fees.

An ordinance creating a new Part 13 (Temporary Sales Tax Credit in Designated Geographic Areas with Public Improvement Fees) 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, providing for the temporary reduction of City sales tax within certain designated geographic areas, for the purpose of funding public improvements and supporting economic development through public improvement fees.