

Project Rey

Economic Development Agreement

Colorado Springs City Council Work Session

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Presentation Overview



- Project Rey Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
- Financial Safeguards
- Staff Recommendation
- Questions
- Appendix

Project Rey Overview



- Project Rey is an existing semiconductor manufacturing and design company.
- Project Rey intends to expand to increase capacity and enhance facilities for new capabilities.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering several U.S. locations for expansion.
- Project Rey is a Primary Employer, generating more than 51% of their revenue from outside of El Paso County.

Project Overview



- Investment plans for expansion and job creation:
 - \$20.3 million capital investment over 4 years
 - \$5 million building and improvements
 - \$1.5 million furniture and fixtures
 - \$13.8 million machinery and equipment
 - 70 jobs over 4 years
 - Average wage: \$87,000

ECONOMIC DEVELOPMENT AGREEMENT



Proposed Economic Development Agreement (EDA)

EDA



- Provide performance-based incentives to enable greater company investment and job growth
- Incentives provided through an Economic Development Agreement (EDA)

Proposed EDA



Recommended Economic Development Agreement:

- Sales & Use Tax Rebate on Annual Purchases of Business Personal Property (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
- Sales and Use Tax Rebate on Purchases of Construction Materials (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
- Four Year Agreement: 70 new jobs over lifetime of agreement

EDA Requirements



Minimum criteria to qualify for an Economic Development Agreement (Economic Development Department standard practice):

- Primary Employer
 - Company generates at least 51% of its revenue from outside of the local trade area of El Paso County, bringing new wealth into the local economy.
- Create 10 new Primary Jobs
- \$1 Million new capital investment

EDA Requirements, continued



Minimum job creation for the term of an Economic Development Agreement:

- 10 new jobs: 4-year agreement
- 100 new jobs: 10-year agreement
- 500 new jobs: 15-year agreement
- City Council has the discretion to approve an Economic Development Agreement with criteria and terms as determined by City Council.

EXPANSION 4 and 10 Year



4 and 10-Year Economic and Fiscal Impact Analyses of Expansion

Expansion: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	73	73
Indirect/Induced Jobs	135	135
Total Permanent Jobs	208	208

New Community Benefits – Construction Jobs	
Total Construction Jobs	56

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$91,772,346	\$22,943,087	\$275,627,386	\$27,562,739

Expansion: Fiscal Impact



4 and 10-Year Analysis of Gross New City Revenue from Expansion

*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$1,058,307	\$264,577	\$1,832,852	\$183,285

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

* See Appendix slide 25 for breakdown of calculations.

Expansion: Incentives

Calculation of Incentives for Expansion: City Sales and Use Tax Rebates over a 4-Year EDA Agreement

City Sales and Use Tax Rebate	Total
Business Personal Property (<i>Machinery & Equipment, Furniture & Fixtures</i>)	\$152,500
Construction Materials	\$25,000
Total Estimated Sales and Use Tax Rebate	\$177,500

Expansion: Fiscal Impact



4 and 10-Year Analysis of Net New City Revenue from Expansion

*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$1,058,307	\$264,577	\$1,832,852	\$183,285
City Incentive	(-\$177,500)		(-\$177,500)	
Total New City Revenue (Net)	\$880,807	\$220,202	\$1,655,352	\$165,535

RETENTION 4 and 10 YEAR



4 and 10-Year Economic and Fiscal Impact Analyses of Retention

Retention: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	110	110
Indirect/Induced Jobs	205	205
Total Permanent Jobs	315	315

New Community Benefits – Construction Jobs	
Total Construction Jobs	0

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$144,650,666	\$36,162,667	\$433,040,968	\$43,304,097

Retention: Fiscal Impact



4 and 10-Year Analysis of Gross New City Revenue from Retention

*No Sunset

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$726,411	\$181,603	\$2,114,667	\$211,467

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

* See Appendix slide 26 for breakdown of calculations.

COMBINED EXPANSION AND RETENTION 4 and 10 YEAR



4 and 10-Year Economic and Fiscal Impact
Analyses of Expansion and Retention
Combined

Combined: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Total Jobs from Expansion	208	208
Total Jobs from Retention	315	315
Total Permanent Jobs	523	523

New Community Benefits – Construction Jobs	
Total Construction Jobs	56

New Community Benefits – GMP Combined	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$236,423,012	\$59,105,754	\$708,668,354	\$70,866,836

Combined: Fiscal Impact

4 and 10-Year Analysis of Net New City Revenue from Expansion and Retention

*No Sunset

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$1,784,718	\$446,180	\$3,947,519	\$394,752
City Incentive	(-\$177,500)		(-\$177,500)	
Total New City Revenue (Net)	\$1,607,218	\$160,722	\$3,770,019	\$377,002

* See Appendix slide 27 for breakdown of calculations.

FINANCIAL SAFEGUARDS



Incentive structure incurs no financial risk to the City

- Strictly performance-based
- Rebates are made to the company only after revenue has been collected

STAFF RECOMMENDATION



EDA directly supports the City of Colorado Springs Strategic Plan

Approve the Economic Development Agreement between the City of Colorado Springs and Project Rey.

QUESTIONS?



APPENDIX



Appendix

Breakdown of calculations for Fiscal Impacts

Appendix: Expansion: Fiscal Impact



4 and 10-Year Analysis of Gross New City Revenue from Expansion

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$561,436	\$140,359	\$972,335	\$97,234
PSST	\$112,287	\$28,072	\$194,467	\$19,447
TOPS*	\$28,072	\$7,018	\$48,617	\$4,862
PPRTA* (70%)	\$196,503	\$49,126	\$340,318	\$34,032
2C*	\$160,009	\$40,002	\$277,115	\$27,712
Total New City Revenue (Gross)	\$1,058,307	\$264,577	\$1,832,852	\$183,285

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

* Breakdown of calculations for slide 12

Appendix: Retention: Fiscal Impact



4 and 10-Year Analysis of Gross New City Revenue from Retention

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$385,364	\$96,341	\$1,121,839	\$112,184
PSST	\$77,073	\$19,268	\$224,368	\$22,437
TOPS*	\$19,268	\$4,817	\$56,092	\$5,609
PPRTA* (70%)	\$134,877	\$33,719	\$392,644	\$39,264
2C*	\$109,829	\$27,457	\$319,724	\$31,972
Total New City Revenue (Gross)	\$726,411	\$181,603	\$2,114,667	\$211,467

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

* Breakdown of calculations for slide 17

Appendix: Combined: Fiscal Impact



4 and 10-Year Analysis of Gross New City Revenue from Expansion and Retention

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$946,800	\$236,700	\$2,094,174	\$209,417
PSST	\$189,360	\$47,340	\$418,835	\$41,884
TOPS*	\$47,340	\$11,835	\$104,709	\$10,471
PPRTA* (70%)	\$331,380	\$82,845	\$732,962	\$73,296
2C*	\$269,838	\$67,460	\$596,840	\$59,684
Total New City Revenue (Gross)	\$1,784,718	\$446,180	\$3,947,519	\$394,752

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.

* Breakdown of calculations for slide 20