Project Kokua

Economic Development Agreement

Colorado Springs City Council

Work Session

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Presentation Overview

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

Project Kokua Overview

- Project Kokua is a fabless semiconductor company focused on design and software solutions.
- Project Kokua intends to expand into a new strategic U.S. location to expand their capabilities.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering other U.S. locations for expansion.

Project Kokua Overview, continued

- Plans to secure and remodel a new location to expand.
- Project Kokua 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:
  - $9.7 million capital investment over 6 years
    - $750,000 building and improvements
    - $1.15 million furniture and fixtures
    - $7.8 million machinery and equipment
  - 53 jobs over 6 years
  - Average wage: $83,333

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 Machinery, Equipment, Furniture, and Fixtures (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: 33 new jobs over lifetime of agreement; 53 new jobs over 6 years

EDA Requirements

Minimum criteria to qualify for an Economic Development Agreement (Economic Development Division 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	35	53
Indirect/Induced Jobs	45	99
Total Permanent Jobs	**80**	**152**

New Community Benefits – Construction Jobs	
Total Construction Jobs	**4**

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	**$19,670,926**	**$4,917,731**	**$149,663,993**	**$14,966,399**

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)	**$344,161**	**$86,040**	**$967,465**	**$96,746**

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.
* See Appendix slide 20 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 *(Machinery & Equipment, Furniture & Fixtures)*	$65,000
Construction Materials	$1,500
Total Estimated Sales and Use Tax Rebate	**$66,500**

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)	$344,161	$86,040	$967,465	$96,746
City Incentive	(-$66,500)		(-$66,500)	
Total New City Revenue (Net)	**$277,661**	**$69,415**	**$900,965**	**$90,096**

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 Kokua.

QUESTIONS?

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	$182,579	$45,645	$513,244	$51,324
PSST	$36,516	$9,129	$102,649	$10,265
TOPS*	$9,129	$2,282	$25,662	$2,566
PPRTA* (70%)	$63,902	$15,976	$179,635	$17,964
2C*	$52,035	$13,009	$146,275	$14,627
Total New City Revenue (Gross)	**$344,161**	**$86,040**	**$967,465**	**$96,746**

* Indicates item scheduled to sunset; calculations assume special fund taxes are renewed after sunset.
* Breakdown of calculations for slide 13