

Project TIB

Economic Development Agreement



Colorado Springs City Council

Executive Session

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Agenda



- Project TIB Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
 - Expansion | Retention | Combined
- Financial Safeguards
- Staff Recommendation
- Questions
- Appendix

PROJECT OVERVIEW



- Leading manufacturer catering to markets such as medical, aerospace, commercial, industrial sectors.
- Purchase and remodel a building and expand operations to meet future growth.
- Primary Employer, generating more than 50% of their revenue from outside of El Paso County.

Project TIB Overview



- Investment plans for expansion and job creation
 - \$5.93 million capital investment over 8 years
 - \$3.5 million buildings and improvements
 - \$20k furniture and fixtures
 - \$2.4 million machinery and equipment
 - 110 jobs over 8 years
 - Average wage: \$83,797

EDA REQUIREMENTS



Purpose: Provide performance-based incentives to enable greater company investment and job growth

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 Criteria



Minimum job creation (within 4 years) 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
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- City Council has the discretion to approve an Economic Development Agreement with criteria and terms as determined by City Council.

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: 110 new jobs over lifetime of agreement

EXPANSION – 4 & 10 YEAR



Economic and Fiscal Impact Analyses

Expansion: Economic Impact



New Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	55	110
Indirect/Induced Jobs	67	180
Total Permanent Jobs	122	280

New Community Benefits – Construction Jobs	4 Year	10 Year
Total Construction Jobs	4	4

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$25.1 million	\$6.3 million	\$175 million	\$17.5 million

Expansion: Incentives



Calculation of Incentives for Expansion: City Sales and Use Tax Rebates

City Sales and Use Tax Rebate	4 Year Total	10 Year Total
Business Personal Property <i>(Machinery & Equipment, Furniture & Fixtures)</i>	\$14,300	\$14,300
Construction Materials	\$5,000	\$5,000
Total Estimated Sales and Use Tax Rebate	\$19,300	\$19,300

Expansion: Fiscal Impact



Analysis of Gross & 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)	\$272,648	\$68,162	\$1,290,584	\$129,058
City Incentives	(\$19,300)		(\$19,300)	
Total New City Revenue (Net)	\$253,348	\$63,337	\$1,271,284	\$127,128

RETENTION – 4 & 10 YEAR



Economic and Fiscal Impact Analyses

Retention: Economic Impact

4 & 10 Year Analyses of Community Benefits



Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	54	54
Indirect/Induced Jobs	88	88
Total Permanent Jobs	142	142

Community Benefits – Construction Jobs	4 Year	10 Year
Total Construction Jobs	0	0

Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$46.7 Million	\$11.7 Million	\$139 Million	\$13.9 Million

Retention: Fiscal Impact



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)	\$277,715	\$69,429	\$817,779	\$81,779

COMBINED – 10 YEAR



Expansion & Retention

Combined 4 & 10-Year Economic and Fiscal Impact Analyses

Combined: Economic Impact

4 & 10 Year Analyses of Community Benefits



Community Benefits – Permanent Jobs	4 Year Total	10 Year Total
Direct Jobs	109	164
Indirect/Induced Jobs	155	268
Total Permanent Jobs	264	432

Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$71.8 Million	\$18.5 Million	\$314 Million	\$31.47 Million

Combined: Fiscal Impact

Analysis of Gross & 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)	\$550,363	\$137,591	\$2,108,373	\$210,837
City Incentive	(\$19,300)		(\$19,300)	
Total New City Revenue (Net)	\$531,063	\$53,106	\$2,089,073	\$208,907

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 is consistent with the City of Colorado Springs Strategic Plan

- Promoting Job Creation

Recommend approval the Economic Development Agreement between the City of Colorado Springs and Project Tib

QUESTIONS?



APPENDIX



Appendix

Breakdown of calculations for Fiscal Impacts

Expansion: Fiscal Impact



4-Year Analysis of Gross New City Revenue from Expansion

*No Sunset

New City Revenue from Expansion	4 Year Total	Average Annual
Sales Tax – General Fund	\$144,641	\$36,160
PSST	\$28,928	\$7,232
TOPS*	\$7,232	\$1,808
PPRTA* (70%)	\$50,624	\$12,656
2C*	\$41,223	\$68,162
Total New City Revenue (Gross)	\$272, 648	\$68,162

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

* Breakdown of calculations for slide 11

Expansion: Fiscal Impact



10-Year Analysis of Gross New City Revenue from Expansion

*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$684,660	\$68,466
PSST	\$136,932	\$13,693
TOPS*	\$34,233	\$3,423
PPRTA* (70%)	\$239,631	\$23,963
2C*	\$195,128	\$19,513
Total New City Revenue (Gross)	\$1,290,584	\$129,058

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

* Breakdown of calculations for slide 11

Retention: Fiscal Impact



4-Year Analysis of Gross City Revenue from Retention

*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$147,329	\$36,832
PSST	\$29,466	\$7,367
TOPS*	\$7,366	\$1,842
PPRTA* (70%)	\$51,566	\$12,891
2C*	\$41,989	\$10,497
Total New City Revenue (Gross)	\$277,715	\$69,429

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

* Breakdown of calculations for slide 14

Retention: Fiscal Impact



10-Year Analysis of Gross City Revenue from Expansion

*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$433,840	\$43,384
PSST	\$86,768	\$8,677
TOPS*	\$21,692	\$2,169
PPRTA* (70%)	\$151,844	\$15,184
2C*	\$123,644	\$12,364
Total New City Revenue (Gross)	\$817,788	\$81,779

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

* Breakdown of calculations for slide 14

Combined: Fiscal Impact

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



*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$291,970	\$72,993
PSST	\$58,394	\$14,599
TOPS*	\$14,598	\$3,650
PPRTA* (70%)	\$102,190	\$25,547
2C*	\$83,211	\$20,803
Total New City Revenue (Gross)	\$550,363	\$137,591

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

* Breakdown of calculations for slide 17

Combined: Fiscal Impact

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

*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$1,118,500	\$111,850
PSST	\$223,700	\$22,370
TOPS*	\$55,925	\$5,593
PPRTA* (70%)	\$391,475	\$39,148
2C*	\$318,773	\$31,877
Total New City Revenue (Gross)	\$2,108,373	\$210,837

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

* Breakdown of calculations for slide 17