

Project Lightspeed

Economic Development Agreement



Colorado Springs City Council
Work Session

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Jessie Kimber, Economic Development Officer

Agenda



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

Project Lightspeed Overview



- Project Lightspeed, a primary employer, is a designer and manufacturer of custom electronic equipment used in civilian, government, and military communications systems.
- The company is located in Colorado Springs. Expansion plans include a remodel of an existing facility.
- This has been a competitive project as the company was considering other U.S. locations for expansion.

Project Lightspeed Overview



- Investment plans for expansion and job creation:
 - \$1,340,000 capital investment over 8 years
 - \$685,000 building and improvements
 - \$305,000 machinery and equipment
 - \$350,000 furniture and fixtures
 - 120 jobs over 8 years
 - Average wage: \$68,500

PROPOSED EDA



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: 57 new jobs by year 5; 120 new jobs by year 8

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



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	57	120
Indirect/Induced Jobs	28	91
Total Permanent Jobs	85	211

New Community Benefits – Construction Jobs	
Total Construction Jobs	9

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$11,355,489	\$2,838,872	\$103,552,085	\$10,355,208

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)	\$139,827	\$34,957	\$827,690	\$82,769

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

* See Appendix slide 26 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>	\$5,550
Construction Materials	\$3,425
Total Estimated Sales and Use Tax Rebate	\$8,975

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)	\$139,827	\$34,957	\$827,690	\$82,769
City Incentive	(-\$8,975)		(-\$8,975)	
Total New City Revenue (Net)	\$130,852	\$32,713	\$818,715	\$81,871

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	6	6
Indirect/Induced Jobs	5	5
Total Permanent Jobs	11	11

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)	\$3,368,339	\$842,085	\$9,621,922	\$962,192

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)	\$22,156	\$5,539	\$66,466	\$6,647

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

* See Appendix slide 27 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	85	211
Total Jobs from Retention	11	11
Total Permanent Jobs	96	222

New Community Benefits – Construction Jobs	
Total Construction Jobs	9

New Community Benefits – GMP Combined	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$14,723,828	\$3,680,957	\$113,174,007	\$11,317,401

Combined: Fiscal Impact



4 and 10-Year Analysis of Gross 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)	\$161,983	\$40,496	\$894,156	\$89,416

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

* See Appendix slide 28 for breakdown of calculations.

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)	\$161,983	\$40,496	\$894,156	\$89,416
City Incentive	(-\$8,975)		(-\$8,975)	
Total New City Revenue (Net)	\$153,008	\$15,301	\$885,181	\$88,518

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

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

QUESTIONS?



APPENDIX



Appendix

Breakdown of calculations for Fiscal Impacts

Expansion: Fiscal Impact



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

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$74,179	\$18,545	\$439,093	\$43,909
PSST	\$14,836	\$3,709	\$87,819	\$8,782
TOPS*	\$3,709	\$927	\$21,955	\$2,195
PPRTA* (70%)	\$25,963	\$6,491	\$153,682	\$15,368
2C*	\$21,141	\$5,285	\$125,141	\$12,514
Total New City Revenue (Gross)	\$139,827	\$34,957	\$827,690	\$82,769

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

* Breakdown of calculations for slide 12

Retention: Fiscal Impact



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

New City Revenue from Expansion	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$11,754	\$2,938	\$35,260	\$3,526
PSST	\$2,351	\$588	\$7,052	\$705
TOPS*	\$588	\$147	\$1,763	\$176
PPRTA* (70%)	\$4,114	\$1,028	\$12,341	\$1,234
2C*	\$3,350	\$837	\$10,049	\$1,005
Total New City Revenue (Gross)	\$22,156	\$5,539	\$66,466	\$6,647

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

* Breakdown of calculations for slide 17

Combined: Fiscal Impact



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

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$85,933	\$21,483	\$474,353	\$47,435
PSST	\$17,187	\$4,297	\$94,871	\$9,487
TOPS*	\$4,297	\$1,074	\$23,718	\$2,372
PPRTA* (70%)	\$30,076	\$7,519	\$166,024	\$16,602
2C*	\$24,491	\$6,123	\$135,191	\$13,519
Total New City Revenue (Gross)	\$161,983	\$40,496	\$894,156	\$89,416

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

* Breakdown of calculations for slide 20