

Project Diamond

Economic Development Agreement



Colorado Springs City Council

Work Session

11/25/2024

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Presentation Overview



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

Project Diamond Overview



- Project Diamond is an international software and technology company and a developer of specialized space systems.
- The company intends to establish a base in the U.S. and be in proximity to government and commercial customers.
- Project Diamond intends to expand into a new strategic location to expand their capabilities and government contract opportunities.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering four (4) U.S. locations for expansion.

Project Diamond Overview, continued



- Plans to secure a new U.S. location to expand.
- Project Diamond 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:
 - \$26.2 million capital investment over 4 years
 - \$12.7 million building and improvements
 - \$4.9 million furniture and fixtures
 - \$8.6 million machinery and equipment
 - 61 jobs over 5 years
 - Average wage: \$80,130

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: 36 new jobs over lifetime of agreement; 61 new jobs over 5 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	36	61
Indirect/Induced Jobs	35	104
Total Permanent Jobs	71	165

New Community Benefits – Construction Jobs	
Total Construction Jobs	95

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$40,814,641	\$10,203,660	\$135,118,089	\$13,511,809

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)	\$867,920	\$216,980	\$1,395,129	\$139,513

* 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 <i>(Machinery & Equipment, Furniture & Fixtures)</i>	\$134,700
Construction Materials	\$63,525
Total Estimated Sales and Use Tax Rebate	\$198,225

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)	\$867,920	\$216,980	\$1,395,129	\$139,513
City Incentive	(-\$198,225)		(-\$198,225)	
Total New City Revenue (Net)	\$669,695	\$167,424	\$1,196,904	\$119,690

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 Diamond.

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	\$460,435	\$115,109	\$740,122	\$74,012
PSST	\$92,087	\$23,022	\$148,024	\$14,802
TOPS*	\$23,022	\$5,756	\$37,006	\$3,701
PPRTA* (70%)	\$161,152	\$40,288	\$259,043	\$25,904
2C*	\$131,224	\$32,806	\$210,935	\$21,093
Total New City Revenue (Gross)	\$867,920	\$216,980	\$1,395,129	\$139,513

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

* Breakdown of calculations for slide 13