

# Project Phoenix

## Economic Development Agreement



# Colorado Springs City Council

## Work Session

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# Presentation Overview



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

# Project Phoenix Overview



- Project Phoenix is a renewable energy company and industrial manufacturer. The company has locations both in the U.S. and internationally.
- Project Phoenix intends to expand into a new strategic 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 Phoenix Overview, continued



- Plans to secure a new U.S. location to expand.
- Project Phoenix is a Primary Employer, generating more than 50% of their revenue from outside of El Paso County.

# Project Overview



- Investment plans for expansion and job creation:
  - \$587.5 million capital investment over 10 years
    - \$50 million land
    - \$230.9 million building and improvements
    - \$306.6 million machinery and equipment
  - 378 jobs over 10 years
  - Average wage: \$105,509

# 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)
- Ten Year Agreement: 378 new jobs over lifetime of agreement



# 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 10 Year



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

# Expansion: Economic Impact



<b>New Community Benefits – Permanent Jobs</b>	<b>10 Year Total</b>
Direct Jobs	538
Indirect/Induced Jobs	640
<b>Total Permanent Jobs</b>	<b>1,178</b>

<b>New Community Benefits – Construction Jobs</b>	
<b>Total Construction Jobs</b>	<b>2,887</b>

<b>New Community Benefits – GMP</b>	<b>10 Year Total</b>	<b>Average Annual</b>
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$1,326,902,471</b>	<b>\$132,690,247</b>

# 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
Total New City Revenue (Gross)	\$24,441,756	\$2,444,176

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

\* See Appendix slide 23 for breakdown of calculations.

# Expansion: Incentives



## Calculation of Incentives for Expansion: City Sales and Use Tax Rebates over a 10-Year EDA Agreement

City Sales and Use Tax Rebate	Total
Business Personal Property <i>(Machinery &amp; Equipment, Furniture &amp; Fixtures)</i>	\$3,066,000
Construction Materials	\$1,154,500
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$4,220,500</b>

# Expansion: Fiscal Impact



## 10-Year Analysis of Net New City Revenue from Expansion

\*No Sunset

New City Revenue from Expansion	10 Year Total	Average Annual
Total New City Revenue (Gross)	\$24,441,756	\$2,444,176
City Incentive	(-\$4,220,500)	
<b>Total New City Revenue (Net)</b>	<b>\$20,221,256</b>	<b>\$2,022,126</b>

# Expansion: Fiscal Impact



## Projected Surplus Revenue from CSU

	10 Year Total	Average Annual
Surplus Revenue	\$9.7 Million	\$973,000



# Expansion: Fiscal Impact



## Projected Total Net City Revenue Including Surplus

	10 Year Total	Average Annual
Net New City Revenue (Before Surplus)	\$20.2 Million	\$2 Million
Surplus Revenue	\$9.7 Million	\$973,000
<b>Total Net New City Revenue (Including Surplus)</b>	<b>\$29.9 Million</b>	<b>\$2.97 Million</b>

# Utility Considerations



## Project Phoenix - Projected Utility Usage at Full Build Out

Electric Peak Demand	24 MW		
Peak Water	412,000 GPD	1.26 AF/Day	461 AF/Year
Wastewater (GPD)	338,000 GPD	1.03 AF/Day	378 AF/Year

# 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 Phoenix.

# QUESTIONS?



# APPENDIX



## Appendix

### Breakdown of calculations for Fiscal Impacts

# Appendix: Expansion: Fiscal Impact



## 10-Year Analysis of Gross New City Revenue from Expansion

New City Revenue from Expansion	10 Year Total	Average Annual
Sales Tax – General Fund	\$12,966,449	\$1,296,645
PSST	\$2,593,290	\$259,329
TOPS*	\$648,322	\$64,832
PPRTA* (70%)	\$4,538,258	\$453,826
2C*	\$3,695,438	\$369,544
<b>Total New City Revenue (Gross)</b>	<b>\$24,441,756</b>	<b>\$2,444,176</b>

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

\* Breakdown of calculations for slide 13