



# Project Chocolate

## Economic Development Agreement

### Colorado Springs City Council Work Session

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# Presentation Overview



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

# Project Chocolate Overview



- Project Chocolate is an international innovative transportation company.
- Project Chocolate 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 Chocolate Overview, continued



- Plans to secure and remodel a new location to expand.
- Project Chocolate 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:
  - \$1.27 million capital investment over 8 years
    - \$90,000 building and improvements
    - \$50,000 furniture and fixtures
    - \$1.1 million machinery and equipment
  - 105 jobs over 8 years
  - Average wage: \$68,263

# 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: 55 new jobs over lifetime of agreement; 105 new jobs over 8 years



# EDA Requirements



Minimum criteria to qualify for an Economic Development Agreement (Economic Development Division standard practice):

- Primary Employer
  - Company generates at least 50% 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	55	105
Indirect/Induced Jobs	66	178
<b>Total Permanent Jobs</b>	<b>121</b>	<b>283</b>

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

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added</b> (Gross Metropolitan Product)	<b>\$15,699,556</b>	<b>\$3,924,889</b>	<b>\$159,797,592</b>	<b>\$15,979,759</b>

# 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)	\$118,414	\$29,604	\$756,592	\$75,659

\* 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)	\$5,150
Construction Materials	\$100
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$5,250</b>

# 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)	\$118,414	\$29,604	\$756,592	\$75,659
City Incentive	(-\$5,250)		(-\$5,250)	
<b>Total New City Revenue (Net)</b>	<b>\$113,164</b>	<b>\$28,291</b>	<b>\$751,342</b>	<b>\$75,134</b>

# 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 Chocolate.

# 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	\$62,819	\$15,705	\$401,375	\$40,138
PSST	\$12,564	\$3,141	\$80,275	\$8,028
TOPS*	\$3,141	\$785	\$20,069	\$2,007
PPRTA* (70%)	\$21,987	\$5,497	\$140,481	\$14,048
2C*	\$17,903	\$4,476	\$114,392	\$11,439
<b>Total New City Revenue (Gross)</b>	<b>\$118,414</b>	<b>\$29,604</b>	<b>\$756,592</b>	<b>\$75,659</b>

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

\* Breakdown of calculations for slide 13