

Project Thunder

Economic Development Agreement



Colorado Springs City Council

Work Session

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Presentation Overview



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

Project Thunder Overview



- Project Thunder is an existing food manufacturing and processing company.
- Project Thunder intends to expand into a new strategic location to increase production capacity and expand their capabilities for new product lines.
- The company also has additional future opportunities for growth and expansion.
- This is a competitive project as the company is considering several U.S. locations for expansion.

Project Thunder Overview, continued



- Plans to secure a U.S. location to expand.
- Project Thunder 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:
 - \$18 million capital investment over 4 years
 - \$4.5 million land
 - \$7.5 million building and improvements
 - \$6 million machinery and equipment
 - 20 jobs over 4 years
 - Average wage: \$60,000

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: 20 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 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	23	23
Indirect/Induced Jobs	27	27
Total Permanent Jobs	50	50

New Community Benefits – Construction Jobs	
Total Construction Jobs	90

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$23,926,837	\$5,981,709	\$48,925,319	\$4,892,532

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)	\$445,680	\$111,420	\$615,973	\$61,597

* 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>	\$60,000
Construction Materials	\$37,500
Total Estimated Sales and Use Tax Rebate	\$97,500

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)	\$445,680	\$111,420	\$615,973	\$61,597
City Incentive	(-\$97,500)		(-\$97,500)	
Total New City Revenue (Net)	\$348,180	\$87,045	\$518,473	\$51,847

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	15	15
Indirect/Induced Jobs	18	18
Total Permanent Jobs	33	33

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)	\$9,811,784	\$2,452,946	\$28,699,526	\$2,869,953

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)	\$85,134	\$21,284	\$248,986	\$24,899

* 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	50	50
Total Jobs from Retention	33	33
Total Permanent Jobs	83	83

New Community Benefits – Construction Jobs	
Total Construction Jobs	90

New Community Benefits – GMP Combined	4 Year Total	Average Annual	10 Year Total	Average Annual
Total Value Added (Gross Metropolitan Product)	\$33,738,621	\$8,434,655	\$77,624,845	\$7,762,485

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)	\$530,814	\$132,704	\$864,959	\$86,496
City Incentive	(-\$97,500)		(-\$97,500)	
Total New City Revenue (Net)	\$433,314	\$43,331	\$767,459	\$76,746

* See Appendix slide 28 for breakdown of calculations.

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 Thunder.

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	\$236,435	\$59,109	\$326,776	\$32,678
PSST	\$47,287	\$11,822	\$65,355	\$6,536
TOPS*	\$11,822	\$2,956	\$16,339	\$1,634
PPRTA* (70%)	\$82,752	\$20,688	\$114,372	\$11,437
2C*	\$67,384	\$16,846	\$93,131	\$9,313
Total New City Revenue (Gross)	\$445,680	\$111,420	\$615,973	\$61,597

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

* Breakdown of calculations for slide 13

Appendix: Retention: Fiscal Impact



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

New City Revenue from Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$45,164	\$11,291	\$132,088	\$13,209
PSST	\$9,033	\$2,258	\$26,418	\$2,642
TOPS*	\$2,258	\$565	\$6,604	\$660
PPRTA* (70%)	\$15,807	\$3,952	\$46,231	\$4,623
2C*	\$12,872	\$3,218	\$37,645	\$3,765
Total New City Revenue (Gross)	\$85,134	\$21,284	\$248,986	\$24,899

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

* Breakdown of calculations for slide 18

Appendix: Combined: Fiscal Impact



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

New City Revenue from Expansion and Retention	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$281,599	\$70,400	\$458,864	\$45,886
PSST	\$56,320	\$14,080	\$91,773	\$9,177
TOPS*	\$14,080	\$3,520	\$22,943	\$2,294
PPRTA* (70%)	\$98,559	\$24,640	\$160,602	\$16,060
2C*	\$80,256	\$20,064	\$130,776	\$13,078
Total New City Revenue (Gross)	\$530,814	\$132,704	\$864,959	\$86,496

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

* Breakdown of calculations for slide 21