

# Project Sunscreen

## Economic Development Agreement



# Colorado Springs City Council

## Work Session

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# Presentation Overview



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

# Project Sunscreen Overview



- Project Sunscreen intends to create a new division and to expand capabilities.
- Project Sunscreen is a construction company and materials manufacturer. The company has several locations in the U.S. including a location in Colorado Springs.
- This has been a competitive project as the company was considering other U.S. locations for expansion.

# Project Sunscreen Overview



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

# Project Sunscreen Overview



- Investment plans for expansion and job creation:
  - \$4.91 million capital investment over 5 years
    - \$500,000 land
    - \$1 million building and improvements
    - \$3.41 million machinery and equipment
  - 28 jobs over 6 years
  - Average wage: \$59,083

# 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: 25 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



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	25	28
Indirect/Induced Jobs	24	29
<b>Total Permanent Jobs</b>	<b>49</b>	<b>57</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>11</b>

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$16,817,371</b>	<b>\$4,204,343</b>	<b>\$59,898,787</b>	<b>\$5,989,879</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)	\$191,992	\$47,998	\$421,286	\$42,129

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

\* See Appendix slide 28 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 &amp; Equipment, Furniture &amp; Fixtures)</i>	\$25,554
Construction Materials	\$5,000
<b>Total Estimated Sales and Use Tax Rebate</b>	<b>\$30,554</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)	\$191,992	\$47,998	\$421,286	\$42,129
City Incentive	(\$30,554)		(\$30,554)	
<b>Total New City Revenue (Net)</b>	<b>\$161,438</b>	<b>\$40,359</b>	<b>\$390,732</b>	<b>\$39,073</b>

# 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	153	153
Indirect/Induced Jobs	159	159
<b>Total Permanent Jobs</b>	<b>312</b>	<b>312</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>0</b>

New Community Benefits – GMP	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$123,858,537</b>	<b>\$30,964,634</b>	<b>\$361,262,452</b>	<b>\$36,126,245</b>

# 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)	\$638,139	\$159,535	\$1,856,617	\$185,662

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

\* See Appendix slide 29 for breakdown of calculations.

# Retention: Fiscal Impact



## 4 and 10-Year Analysis of Net 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)	\$638,139	\$159,535	\$1,856,617	\$185,662
City Incentive	(\$30,554)		(\$30,554)	
<b>Total New City Revenue (Net)</b>	<b>\$607,585</b>	<b>\$151,896</b>	<b>\$1,826,063</b>	<b>\$182,606</b>

# 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	49	57
Total Jobs from Retention	312	312
<b>Total Permanent Jobs</b>	<b>361</b>	<b>369</b>

New Community Benefits – Construction Jobs	
<b>Total Construction Jobs</b>	<b>11</b>

New Community Benefits – GMP Combined	4 Year Total	Average Annual	10 Year Total	Average Annual
<b>Total Value Added (Gross Metropolitan Product)</b>	<b>\$140,675,908</b>	<b>\$35,168,977</b>	<b>\$421,161,239</b>	<b>\$42,116,124</b>

# 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)	\$830,130	\$207,533	\$2,277,903	\$227,790

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

\* See Appendix slide 30 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)	\$830,130	\$207,533	\$2,277,903	\$227,790
City Incentive	(\$30,554)		(\$30,554)	
<b>Total New City Revenue (Net)</b>	<b>\$799,576</b>	<b>\$79,958</b>	<b>\$2,247,349</b>	<b>\$224,735</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 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 Sunscreen.

# 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	4 Year Total	Average Annual	10 Year Total	Average Annual
Sales Tax – General Fund	\$101,852	\$25,463	\$223,494	\$22,349
PSST	\$20,370	\$5,093	\$44,699	\$4,470
TOPS*	\$5,093	\$1,273	\$11,175	\$1,117
PPRTA* (70%)	\$35,648	\$8,912	\$78,223	\$7,822
2C*	\$29,028	\$7,257	\$63,696	\$6,370
<b>Total New City Revenue (Gross)</b>	<b>\$191,992</b>	<b>\$47,998</b>	<b>\$421,286</b>	<b>\$42,129</b>

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

\* Breakdown of calculations for slide 13

# 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	\$338,535	\$84,634	\$984,943	\$98,494
PSST	\$67,707	\$16,927	\$196,989	\$19,699
TOPS*	\$16,927	\$4,232	\$49,247	\$4,925
PPRTA* (70%)	\$118,487	\$29,622	\$344,730	\$34,473
2C*	\$96,482	\$24,121	\$280,709	\$28,071
<b>Total New City Revenue (Gross)</b>	<b>\$638,139</b>	<b>\$159,535</b>	<b>\$1,856,617</b>	<b>\$185,662</b>

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

\* Breakdown of calculations for slide 18

# 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	\$440,387	\$110,097	\$1,208,436	\$120,844
PSST	\$88,077	\$22,019	\$241,687	\$24,169
TOPS*	\$22,019	\$5,505	\$60,422	\$6,042
PPRTA* (70%)	\$154,136	\$38,534	\$422,953	\$42,295
2C*	\$125,510	\$31,378	\$344,404	\$34,440
<b>Total New City Revenue (Gross)</b>	<b>\$830,130</b>	<b>\$207,533</b>	<b>\$2,277,903</b>	<b>\$227,790</b>

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

\* Breakdown of calculations for slide 22