

# Project Verge

## Economic Development Agreement

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# Presentation Overview



- Project Verge Overview
- Proposed Economic Development Agreement (EDA)
- Economic and Fiscal Impact Analyses
  - Expansion
- Staff Recommendation
- Questions
- Appendix

# Project Verge Overview



A rapidly growing service-disabled veteran-owned small business that provides advanced modeling, simulation, and analysis for commercial and government customers. The information technology startup has a unique approach to their consulting and training services offered.

Project Verge intends to expand into a new strategic location to expand their capabilities and to be in proximity to customers.

Colorado Springs is one of at least three locations the company is considering for their expansion plans.

# Project Verge Overview



- Plans to secure and remodel an existing commercial location, mostly of office space.
- Plans to add secure facilities in the future.
- Project Verge is a Primary Employer, generating more than 50% of their revenue from outside of El Paso County.

# Project Verge Overview



- Investment plans for expansion and job creation
  - \$2.2 million capital investment over 4 years (term of agreement)
    - \$1.8 million buildings and improvements
    - \$235,000 furniture and fixtures
    - \$175,000 machinery and equipment
  - 28 jobs over 4 years
  - \$3.7 million capital investment over 8 years
    - \$2.9 million buildings and improvements
    - \$365,000 furniture and fixtures
    - \$420,000 machinery and equipment
  - 61 jobs over 8 years
  - Average wage: \$129,550

# Proposed EDA



- Provide certain performance-based incentives in an effort to enable greater company investment and job growth
- Incentives provided through an Economic Development Agreement

# 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: 28 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

# EDA Requirements



City Council has the discretion to approve an Economic Development Agreement with criteria and terms as determined by City Council.

# Expansion

## 4-Year Economic and Fiscal Impact Analyses

# Expansion: Economic Impact



## 4-Year Analysis of New Community Benefits from Expansion

| <b>New Community Benefits – Permanent Jobs</b> | <b>4 Year Total</b> |
|--|---------------------|
| Direct Jobs                                    | 28                  |
| Indirect/Induced Jobs                          | 32                  |
| <b>Total Permanent Jobs</b>                    | <b>60</b>           |

| <b>New Community Benefits – Construction Jobs</b> |           |
|---|-----------|
| <b>Total Construction Jobs</b>                    | <b>19</b> |

| <b>New Community Benefits – GMP</b>                      | <b>4 Year Total</b> | <b>Average Annual</b> |
|--|---------------------|-----------------------|
| <b>Total Value Added</b><br>(Gross Metropolitan Product) | <b>\$13 Million</b> | <b>\$3.3 Million</b>  |

# Expansion: Fiscal Impact



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

\*No Sunset

| New City Revenue from Expansion | 4 Year Total | Average Annual |
|---------------------------------|--------------|----------------|
| Total New City Revenue (Gross)  | \$153,000    | \$38,000       |

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

\* See Appendix slide 25 for breakdown of calculations.

# Expansion: Calculation of 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<br><i>(Machinery &amp; Equipment, Furniture &amp; Fixtures)</i> | \$4,100         |
| Construction Materials   | \$8,788         |
|  |                 |
| <b>Total Estimated Sales and Use Tax Rebate</b>  | <b>\$12,888</b> |

# Expansion: Fiscal Impact



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

\*No Sunset

| New City Revenue from Expansion     | 4 Year Total     | Average Annual  |
|-------------------------------------|------------------|-----------------|
| Total New City Revenue (Gross)      | \$153,000        | \$38,000        |
| City Incentive                      | (\$12,888)       |                 |
|                                     |                  |                 |
| <b>Total New City Revenue (Net)</b> | <b>\$140,099</b> | <b>\$35,028</b> |

# Expansion

## 10-Year Economic and Fiscal Impact Analyses



# Expansion: Economic Impact



## 10-Year Analysis of New Community Benefits from Expansion

| <b>New Community Benefits – Permanent Jobs</b> | <b>10 Year Total</b> |
|--|----------------------|
| Direct Jobs                                    | 61                   |
| Indirect/Induced Jobs                          | 104                  |
| <b>Total Permanent Jobs</b>                    | <b>165</b>           |

| <b>New Community Benefits – Construction Jobs</b> |           |
|---|-----------|
| <b>Total Construction Jobs</b>                    | <b>19</b> |

| <b>New Community Benefits – GMP</b>                       | <b>10 Year Total</b> | <b>Average Annual</b> |
|---|----------------------|-----------------------|
| <b>Total Value Added<br/>(Gross Metropolitan Product)</b> | <b>\$95 Million</b>  | <b>\$9.5 Million</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)  | \$891,000     | \$89,000       |

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

\* See Appendix slide 26 for breakdown of calculations.

# 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)      | \$891,000        | \$89,000        |
| City Incentive                      | (\$12,888)       |                 |
|                                     |                  |                 |
| <b>Total New City Revenue (Net)</b> | <b>\$877,861</b> | <b>\$87,786</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

# Other Considerations



- EDA is consistent with the City of Colorado Springs Strategic Plan
  - Promoting Job Creation

# Staff Recommendation



Approval of a resolution approving an Economic Development Agreement between the City of Colorado Springs and Project Verge.

# Questions?



# Appendix

## Breakdown of calculations for Fiscal Impacts



# Expansion: Fiscal Impact



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

\*No Sunset

| New City Revenue from Expansion       | 4 Year Total     | Average Annual  |
|---------------------------------------|------------------|-----------------|
| Sales Tax – General Fund              | \$81,000         | \$20,000        |
| PSST                                  | \$16,000         | \$4,000         |
| TOPS*                                 | \$4,000          | \$1,000         |
| PPRTA* (70%)                          | \$28,000         | \$7,000         |
| 2C*                                   | \$23,000         | \$6,000         |
|                                       |                  |                 |
| <b>Total New City Revenue (Gross)</b> | <b>\$153,000</b> | <b>\$38,000</b> |

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

\* Breakdown of calculations for slide 13

# 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  |
|---------------------------------------|------------------|-----------------|
| Sales Tax – General Fund              | \$473,000        | \$47,000        |
| PSST                                  | \$95,000         | \$9,000         |
| TOPS*                                 | \$24,000         | \$2,000         |
| PPRTA* (70%)                          | \$165,000        | \$17,000        |
| 2C*                                   | \$135,000        | \$13,000        |
|                                       |                  |                 |
| <b>Total New City Revenue (Gross)</b> | <b>\$891,000</b> | <b>\$89,000</b> |

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

\* Breakdown of calculations for slide 18