

Economic Overview

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The Mayor and City Council support proactively enhancing the local business climate, retaining existing businesses and jobs, and bringing new companies and industries to Colorado Springs. The City of Colorado Springs has a portfolio of economic development programs. Economic development agreements primarily are executed with criteria that they must be performance-based agreements.

The following sections display the City's portion of shared revenue or direct payments provided for economic development efforts through Urban Renewal Areas, Economic Development Partners, Economic Development Programs, and other Economic Development Agreements.

Urban Renewal Areas

City Council approved ten Urban Renewal Areas (URAs) in the City: City Auditorium, CityGate, Copper Ridge, Gold Hill Mesa, Gold Hill Mesa Commercial Area, Ivywild Neighborhood, North Nevada Avenue, South Nevada Avenue Area, Southwest Downtown, and Vineyard Property. All ten have Tax Increment Financing (TIF) agreements in place for property tax sharing. Tax increment financing (TIF) is a method of using tax collections within a designated area to finance public infrastructure improvements or other improvements. Infrastructure improvements may include upgraded on-site drainage systems and adjacent intersections, roadway capacity, and pedestrian improvements, etc. Currently, the North Nevada Avenue, Copper Ridge, and Ivywild Neighborhood, Gold Hill Mesa Commercial, and South Nevada Avenue URAs have additional sales tax TIF sharing agreements.

Property Tax TIF

This funding comes from the additional new property tax revenue generated from the increased assessed value of the new development. Only the increment of increased tax revenue collected is shared.

	2014	2015	2016	2017
Property Tax Revenue *	Actual	Actual	Budget	Budget
City Auditorium URA	\$1,108	\$1,188	\$1,197	\$1,407
CityGate URA	793	734	1,140	889
Copper Ridge at Northgate URA	21,056	32,637	54,298	63,425
Gold Hill Mesa URA	19,175	22,494	28,362	33,042
Gold Hill Mesa Commercial Area URA ¹	0	0	0	0
Ivywild Neighborhood URA	1,600	5,162	6,675	6,747
North Nevada Avenue URA	69,833	74,032	88,828	109,648
South Central Downtown URA (Lowell project) ²	12,886	0	0	0
South Nevada Avenue Area URA ³	0	0	0	0
Southwest Downtown URA	0	286	521	759
Vineyard Property URA	6,060	6,060	6,060	6,060

* Property tax TIF revenue is collected by the El Paso County Treasurer and disbursed directly to the URA.

¹ The Gold Hill Mesa Commercial Area URA Plan was approved on June 23, 2015 (Resolution No. 69-15). However, based upon assessed valuation certifications for the County there is no property tax TIF revenue expected for 2017.

² The South Central Downtown URA has reached the end of its lifespan and no longer produces an increment.

³ The South Nevada Avenue Area URA Plan was approved on November 24, 2015 (Resolution No. 120-15). However, based upon assessed valuation certifications for the County there is no property tax TIF revenue expected for 2017.

Sales Tax TIF

City Council approved Resolution No. 46-06, dated April 11, 2006, adopting guidelines for the use of sales tax revenue to promote economic activity, job creation, and assist urban renewal area projects. This funding comes from a portion of the new sales tax revenue generated from the new retail businesses that locate within the designated boundaries.

	2014	2015	2016	2017
Shared Sales Tax Revenue **	Actual	Actual	Budget	Budget
Copper Ridge at Northgate URA	\$305,823	\$373,285	\$625,155	\$500,000
Gold Hill Mesa Commercial Area URA ¹	0	0	0	0
Ivywild Neighborhood URA	33,007	40,536	45,000	39,750
North Nevada Avenue URA	3,189,490	3,782,414	4,634,845	4,110,000
South Nevada Avenue Area URA ²	0	0	0	0

** Sales tax revenue is collected by the City's Sales and Use Tax Division. The amount of shared revenue is paid to the URA and budgeted in the General Cost section.

¹ Cooperation Agreement between the Colorado Springs URA and the City of Colorado Springs approved by City Council (Resolution No. 147-15) on December 8, 2015.

² Cooperation Agreement between the Colorado Springs URA and the City of Colorado Springs approved by City Council (Resolution No. 148-15) on December 8, 2015.

Economic Development Partners

For 2017, the City of Colorado Springs has partnered with the following organizations:

Colorado Springs Regional Business Alliance (pka: Economic Development Corporation and Greater Colorado Springs Chamber of Commerce) is a privately-funded organization whose sole purpose is to provide primary employers with complementary, comprehensive relocation and expansion services. The Business Alliance is focused on the attraction, retention, and creation of quality jobs for the region. It is the only organization that actively works to bring into our region the primary employers who import wealth and jobs. The success of our primary employers is the key to our economic vitality, the future of our community, and the preservation of our quality of life in the entire region.

Small Business Development Center (SBDC) is one of the 14 Colorado Small Business Development Centers. The Colorado SBDC Network is a partnership between the Federal Small Business Administration (SBA) and the State of Colorado. The SBDC is dedicated to helping small businesses in the region achieve their goals of growth, expansion, innovation, increased productivity, management improvement and success. In partnership with the University of Colorado Springs (UCCS) and the City, the SBDC provides one-on-one business counseling and training to business startups and ongoing businesses. The major objective is to foster the successful growth and development of small businesses that result in a positive economic impact.

Cultural Office of the Pikes Peak Region (COPPeR) serves as the lead organization for centralizing and coordinating information about cultural services in the community. COPPeR maintains a comprehensive community arts and cultural web site, PeakRadar.com, in efforts to build cultural participation in the region, foster sustainability of the region's cultural arts industry, advocate for the region's cultural vitality, leverage cultural assets to promote positive regional brand and image, and foster authenticity by celebrating aspects unique to our region's heritage and future. Cultural elements of a community continue to be paramount in workforce availability. National studies continue to show an upward trend indicating that young professionals move to "cool" communities first and then seek employment. Local companies convey that they are successful in recruiting specialized talent but struggle to retain these employees because their young people "can't get plugged-in" to Colorado Springs. COPPeR helps to bridge this gap.

In earlier years, the City also partnered with the following organization but the support was intended to be short-term, start-up funding.

Colorado Springs Technology Incubator (CSTI) is a non-profit organization dedicated to helping entrepreneurs accelerate the growth and success of their startup companies, and in the process, creates more jobs and wealth in the region. CSTI provides strategic counsel, operational guidance, business services and resources to its start-up clients including: business planning, executive mentoring, investor relations, financial forecasting, competitor analysis, business networking, market research, training courses, and affordable facilities.

<u>Expenditures</u>	2014 Actual	2015 Actual	2016 Budget	2017 Budget
Colorado Springs Regional Business Alliance (RBA) (pka: Economic Development Corporation and Colorado Springs Chamber of Commerce)	\$70,000	\$70,000	\$75,000	\$75,000
Colorado Springs Regional Business Alliance (RBA) Marketing campaign**	0	0	0	25,000
Small Business Development Center (SBDC)*	55,000	55,000	55,000	55,000
Colorado Springs Technology Incubator (CSTI)	10,000		0	0
COPPeR**	43,000	40,000	50,000	50,000
Innovations In Aging – Aging in El Paso County	20,000		0	0
Annual Expenditures	\$198,000	\$165,000	\$180,000	\$205,000

*For 2016, funding for the SBDC was shared 50/50 from the General Fund and LART. For 2017, the entire funding is from the General Fund.

**2017 funding is from LART.

Economic Development Programs

Economic Development Programs are available to all companies that meet certain criteria and proceed with a formal agreement with the City. These programs include the Alternative Rate of Tax for manufacturing equipment, Business Personal Property Tax incentive payments, the Commercial Aeronautical Zone, and the access to Private Activity Bonds.

Alternative Rate of Tax for Manufacturing Equipment

City Council authorized this program by Resolution No. 22-09, dated January 27, 2009. This program offers an incentive payment based upon a sliding scale of City sales tax paid for purchases of equipment and machinery used in manufacturing operations during a calendar year. The alternate tax rate applies to annual purchases exceeding \$5 million and decreases to zero tax on purchases over \$20 million. These payments are dependent upon the company's annual purchases of machinery and equipment, and the budget estimate may vary significantly so a supplemental appropriation may be necessary once the actual dollar amounts are known.

<u>Alternative Tax Agreement Payments</u>	2014 Actual	2015 Actual	2016 Budget	2017 Budget
Manufacturing company	\$0	\$44,255	\$93,500	\$93,500

Business Personal Property Tax

On November 24, 2015, City Council approved Ordinance No. 15-85, which authorizes implementation of a two-year phase-in of a Business Personal Property Tax (BPPT) Tax Credit program – making the City’s business tax environment more competitive and equitable across industries. The businesses pay personal property tax is assessed on equipment used to conduct business, such as large machinery, computer equipment, desks and furniture. For 2016, the BPPT Tax Credit was equal to one-half the amount of BPPT due on the 2016 property tax statements (for 2015 taxes payable in 2016). For 2016, the tax credit was issued as a refund after June 30, 2016– this refund mechanism was used in 2016 as there was not be time following formal approval for El Paso County to modify the property tax bills that will be mailed early 2016. For 2017, the proposed BPPT Tax Credit will be equal to the entire amount of BPPT due and therefore, a net zero amount due will be reflected on the 2017 property tax statements (for 2016 taxes payable in 2017).

Prior to 2016, City Council reauthorized a BPPT Economic Development Agreement program in September 2004 by Resolution No. 203-04. The BPPT Agreement program was only available to primary employer companies. Companies were required to create at least new jobs and invest in business personal property. The length of the BPPT economic development agreement and incentive payment terms were based upon threshold values for new jobs created and investment dollars. For 2016, there was \$167,000 budgeted for payments associated with agreements through 2015. With the proposed phase-in of the BPPT Tax Credit program as described above, there may be payments for 2017 based upon the net amount paid by participants after the credit in 2016, but for 2018 the BPPT Agreement program will conclude as all businesses will not pay BPPT in 2017.

<u>Description</u>	2014 Actual	2015 Actual	2016 Budget	2017 Budget
Payments	\$148,885	\$221,389	\$167,000	\$80,000

Commercial Aeronautical Zone (CAZ)

On April 8, 2014, City Council adopted Ordinance No. 14-22 amending City Code to establish a limited sales and use tax exemption within a Commercial Aeronautical Zone (CAZ) and on August 11, 2015, City Council adopted Ordinance No. 15-48 expanding the boundaries of the CAZ to include other areas within the Enterprise Zone that are contiguous to the existing CAZ boundaries. Specifically, sales and use tax is exempt within the zone on aircraft parts used or consumed in the manufacture, maintenance, repair or overhaul of aircraft. The goal of the CAZ is to encourage new businesses to hangar aircraft, fuel, and conduct maintenance operations at the Colorado Springs Airport, thereby increasing the number of skilled and highly-paid aircraft mechanic and aeronautic engineering jobs in Colorado Springs, as well as expanding the World War II aviation museum’s collection of aircraft and attracting jobs associated with the collection.

Since the creation of the CAZ in 2014, the Airport has experienced tremendous growth with new and existing tenants. In addition to increasing non-Airline revenue for the Airport, the CAZ is stimulating the creation of new jobs within our community. The Airport welcomed new tenants in 2016 and 2017 economic growth at the Airport is anticipated to be as equally strong. The CAZ has been very successful in supporting the airports strategic initiatives which has since reduced operating costs, significantly lowered airport debt, while increasing non-airline revenues. These efforts have resulted in the reduction of airline rates and charges at COS by nearly 50% since 2013. Along with its enhanced marketing and air service incentive programs, the Airport is now better position to attract new and expanded commercial air service.

Private Activity Bonds

On April 28, 1998, El Paso County Board of County Commissioners and City Council jointly adopted Private Activity Bond procedures by Resolution No. 98-247, General 69 and Resolution No. 72-98. Private Activity Bonds (PABs) are a form of tax-exempt financing in which the City or County acts as the issuer. The advantage of PABs is financing through the City or County provides funds at lower-than-market interest rates because bond proceeds are exempt from Federal and State income tax. There is no financial risk to the City or County since the bond debt is repaid by the entity requesting the PAB and financings do not constitute a debt or financial obligation of the City or County. The City has not issued any PABs since 2007 and each year has asked City Council approval to transfer its State allocation to the County.

Economic Development Agreements

The City has specific performance based Economic Development Agreements (EDAs), which are negotiated based upon economic impact analyses. The current EDAs are listed below:

<u>Payments Based On Sales and Use Tax Revenue</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2015 Budget</u>	<u>2017 Budget</u>
Agilent Technologies	\$0	\$0	\$0	0
Bal Seal Engineering	270,568	0	10,000	10,000
Lowe's	50,000	50,000	50,000	50,000
Mining Exchange	69,559	82,273	85,000	90,000
Wal-Mart	349,814	0	50,000	0

SkyWest Airlines Use Tax Agreement

In 2004, City officials worked with SkyWest Airlines representatives to secure an aircraft maintenance center and flight crew base in Colorado Springs. City Council approved an EDA based upon the City Use Tax paid by SkyWest on purchases of aircraft parts. The City retains a maximum of \$40,000 annually in Use Tax from SkyWest's qualifying purchases of aircraft parts; any Use Tax collected by the City in excess of \$40,000 the company keeps under the EDA. SkyWest qualifies for exemption under the CAZ but has not yet applied.

<u>Description</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Budget</u>	<u>2017 Budget</u>
Payments	\$103,750	\$0	\$0	\$0

United States Olympic Committee (USOC) Certificate of Participation (COP) Payment

In August 2009, the City Council approved an EDA that kept the United States Olympic Committee (USOC) in Colorado Springs for the next 30 years. The EDA included funding of improvements for the USOC headquarters building, the National Governing Bodies building and the Olympic Training Center (OTC).

<u>USOC COP Payment</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Budget</u>	<u>2017 Budget</u>
Scheduled payment	\$1,700,275	\$1,739,650	\$1,782,225	\$1,822,625

Utility Usage Agreements

In 2006, City Council approved two 10-year EDAs with two companies (a medical imaging manufacturing company and an insurance company), which established local regional headquarters in Colorado Springs. Under these EDAs, the City provides a payment to the company based upon their electric and natural gas utility usage. These agreements:

- Do not involve any sharing of existing revenue;
- Target new utility revenue generated directly from the company;
- Establish the payment on a use and percentage basis, which therefore reduces the City's risk (if revenue collections underperform) since the payment is not tied to a specific annual amount; or
- Minimize financial risk since the payment is strictly performance-based, and payments are made only after revenue is collected.

Payments Based On Utility Usage *	2014 Actual	2015 Actual	2016 Budget	2017 Budget
Manufacturing company	\$182,501	\$185,524	\$186,000	\$170,000
Insurance company regional headquarters	<u>105,104</u>	<u>103,368</u>	<u>105,000</u>	<u>91,000</u>
Annual Payments	\$287,605	\$288,892	\$291,000	\$261,000

* Actuals are for the previous year utility usage.

For information about the local economy and Southern Colorado Economic Forum's *Quarterly Updates and Estimates* (QUE), please contact the:



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