

El Paso County Impact Report

Almagre Urban Renewal Area

The Economics of Land Use



Prepared for:
Colorado Springs Urban Renewal Authority

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1. Introduction

This report includes a summary of the expected fiscal impacts of the site included in the Almagre Urban Renewal Plan (Plan) in El Paso County (the County). The El Paso County Impact Report for Almagre Urban Renewal Area (report) was prepared by Economic & Planning Systems (EPS) for the Colorado Springs Urban Renewal Authority ("CSURA" or "Authority").

The report includes a summary of forecasted property tax revenues as well as El Paso County fiscal and service impacts associated with development in accordance with the Urban Renewal Plan. It specifically responds to the requirements outlined in C.R.S. 31-25-107 (3.5):

C.R.S. 31-25-107: APPROVAL OF URBAN RENEWAL PLANS BY THE LOCAL GOVERNING BODY

- (3.5) "Prior to the approval of an urban renewal plan, the governing body shall submit such plan to the board of county commissioners, which shall include, at a minimum, the following information concerning the impact of such plan:
- I. The estimated duration of time to complete the urban renewal project;
 - II. The estimated annual property tax increment to be generated by the urban renewal project and the portion of such property tax increment to be allocated during this period to fund the urban renewal project;
 - III. An estimate of the impact of the urban renewal project on county revenues and on the cost and extent of additional county infrastructure and services required to serve development within the proposed urban renewal area, and the benefit of improvements within the urban renewal area to existing county infrastructure;
 - IV. A statement setting forth the method under which the authority or the municipality will finance, or that agreements are in place to finance, any additional county infrastructure and services required to serve development in the urban renewal area for the period in which all or any portion of the property taxes described in subparagraph (ii) of paragraph (a) of subsection (9) of this section and levied by a county are paid to the authority; and
 - V. Any other estimated impacts of the urban renewal project on county services or revenues."

Urban Renewal Plan Description

The Almagre Urban Renewal Area (“URA” or “Plan Area”) is located in the City of Colorado Springs in El Paso County. The Plan Area is comprised of two parcels on approximately 3.28 acres of land. The boundaries of the Plan Area include Zebulon Drive to the west, Verde Drive to the north, an unnamed alleyway to the south, and commercial development to the east, which includes Family Dollar, Pitstop Carwash, and Shell gas station, as shown below in **Figure 1**.

Figure 1. Almagre URA Boundary



2. Development Program

The proposed project for the Plan Area is an affordable housing development by Cohen Esrey Development Group (Developer). The proposed Plan includes 137 residential units consisting of 64 one-bedroom, 56 two-bedroom, and 17 three-bedroom units. All 137 units will be affordable for households earning between 30 and 70 percent of area median income (AMI), with an average AMI level of roughly 60 percent. The first floor of the development will have a community room for community meetings, after school tutoring, job fairs, and employment outreach. Additionally, there will be room for a childrens' play area, picnic area, bike storage, and a dog run that will also serve as a detention area on the site plan illustrated in **Figure 2**. The associated site improvements for the development include sidewalks, streetscape, public art, landscaping, and security cameras.

Figure 2. Almagre Site Plan



3. County Fiscal Impact

In order to estimate the anticipated impact of the development of the parcels included in the Plan area boundary on the County, EPS evaluated expected property tax revenues, infrastructure costs, and impacts on cost of service for the County.

Property Taxes

CSURA is expected to keep 100 percent of the property tax revenues generated by the Plan increment, which includes any property tax that is generated by new development on the parcels included in the Plan Area. These revenues are necessary to allow the project to move forward and will be used to fund eligible improvements.

Assumptions

To estimate potential property tax revenues, EPS has estimated market values for affordable residential multifamily development at \$144,289 per unit. The estimated value from the El Paso County Assessor for conventional market-rate multifamily units falls between \$217,000 and \$254,000 per unit for a 2020 valuation. However, based on the estimated reduced rental income (based on affordability covenants) that will be generated by the affordable units, the Assessor reduced this estimate to a range of \$133,333 to \$148,148 per unit. EPS used the average of this range and applied two years of value escalation to estimate actual statutory value. EPS has also assumed an annual growth rate in property values of 2.0 percent per year, which is reassessed on odd-number years in accordance with Colorado Legislature.

Property Tax Base

The current property taxes paid on the vacant land in the proposed Urban Renewal Area are roughly \$80,883 per year, shown below in **Table 1**. This base reflects the total value of the vacant land parcel. The assessment rate and mill levy are two universally used factors that generate revenue streams that are a portion of total valuation. The assessment rate for commercial property in Colorado is 29 percent. Note that per State regulations, vacant land is classified as commercial (29%) while multifamily is assessed as residential (7.15%). The 2020 mill levies for all parcels in the taxing district that includes the proposed Urban Renewal Area are shown in **Table 2**. The total mill levy in 2020 was 63.6910, which includes 7.552 mills for El Paso County (including road and bridge share).

Table 1. Property Base Value, 2020

Parcel	Land	Improvements	Total
Actual Value			
3725 VERDE DR	\$112,324	\$0	\$112,324
1609 ZEBULON DR	<u>\$166,584</u>	<u>\$0</u>	<u>\$166,584</u>
Subtotal	\$278,908	\$0	\$278,908
Assessment Rate			
3725 VERDE DR	29.00%	29.00%	
1609 ZEBULON DR	29.00%	29.00%	
Assessed Value			
3725 VERDE DR	\$32,574	\$0	\$32,574
1609 ZEBULON DR	<u>\$48,309</u>	<u>\$0</u>	<u>\$48,309</u>
Subtotal	\$80,883	\$0	\$80,883

Source: El Paso County Assessor; Economic & Planning Systems

Table 2. Mill Levies, 2020

Description	Mill Levy
EL PASO COUNTY	7.2220
EPC ROAD & BRIDGE SHARE	0.1650
CITY OF COLORADO SPRINGS	4.2790
EPC-COLORADO SPGS ROAD & BRIDGE SHARE	0.1650
HARRISON SCHOOL NO 2	47.2270
PIKES PEAK LIBRARY	3.7310
SOUTHEASTERN COLO WATER CONSERVANCY	0.9020
EL PASO COUNTY CONSERVATION	0.0000
TOTAL	63.6910

Source: El Paso County Assessor; Economic & Planning Systems

Property Tax Increment

The future property taxes due to new development is referred to as the “Increment” and would be deferred. The development of the Plan Area over the next 25 years is expected to generate approximately \$2.3 million in property tax increment over the 25-year period, which equates to an average of approximately \$91,530 per year, as shown in **Table 3**.

Following the 25-year period, the parcels included in Plan Area are expected to generate approximately \$139,169 in total property taxes, which includes approximately \$8,286 that is attributed to the base values and \$130,883 that is generated by the increment or new development. The County’s share of the total project property tax in year 26 is expected to be \$16,500.

Table 3. Property Tax Increment, 2020-2045

Year	Plan Year	Residential Units	Value ^[1] \$144,289/unit	Cml. Actual Statutory Val.		Assessed Value (1-Yr. Lag) ^[2]			Property Tax Increment (1-Yr. Lag) 63.691 mill levy
				Base Val. 2.0% Ann. Esc.	New Val. 2.0% Ann. Esc.	Base Val. 29.00%	New Dev. 7.15%	Increment Val.	
2020	0	0	\$0	\$278,908	\$0	\$80,883	\$0	\$0	\$0
2021	1	0	\$0	\$284,486	\$0	\$80,883	\$0	\$0	\$0
2022	2	137	\$19,767,600	\$290,176	\$19,767,600	\$80,883	\$0	\$0	\$0
2023	3	0	\$0	\$295,979	\$20,162,952	\$84,151	\$1,413,383	\$1,329,232	\$0
2024	4	0	\$0	\$301,899	\$20,566,211	\$84,151	\$1,413,383	\$1,329,232	\$84,660
2025	5	0	\$0	\$307,937	\$20,977,535	\$87,551	\$1,470,484	\$1,382,933	\$84,660
2026	6	0	\$0	\$314,096	\$21,397,086	\$87,551	\$1,470,484	\$1,382,933	\$88,080
2027	7	0	\$0	\$320,378	\$21,825,028	\$91,088	\$1,529,892	\$1,438,804	\$88,080
2028	8	0	\$0	\$326,785	\$22,261,528	\$91,088	\$1,529,892	\$1,438,804	\$91,639
2029	9	0	\$0	\$333,321	\$22,706,759	\$94,768	\$1,591,699	\$1,496,932	\$91,639
2030	10	0	\$0	\$339,987	\$23,160,894	\$94,768	\$1,591,699	\$1,496,932	\$95,341
2031	11	0	\$0	\$346,787	\$23,624,112	\$98,596	\$1,656,004	\$1,557,408	\$95,341
2032	12	0	\$0	\$353,723	\$24,096,594	\$98,596	\$1,656,004	\$1,557,408	\$99,193
2033	13	0	\$0	\$360,797	\$24,578,526	\$102,580	\$1,722,906	\$1,620,327	\$99,193
2034	14	0	\$0	\$368,013	\$25,070,096	\$102,580	\$1,722,906	\$1,620,327	\$103,200
2035	15	0	\$0	\$375,373	\$25,571,498	\$106,724	\$1,792,512	\$1,685,788	\$103,200
2036	16	0	\$0	\$382,881	\$26,082,928	\$106,724	\$1,792,512	\$1,685,788	\$107,370
2037	17	0	\$0	\$390,539	\$26,604,587	\$111,035	\$1,864,929	\$1,753,894	\$107,370
2038	18	0	\$0	\$398,349	\$27,136,679	\$111,035	\$1,864,929	\$1,753,894	\$111,707
2039	19	0	\$0	\$406,316	\$27,679,412	\$115,521	\$1,940,273	\$1,824,751	\$111,707
2040	20	0	\$0	\$414,443	\$28,233,001	\$115,521	\$1,940,273	\$1,824,751	\$116,220
2041	21	0	\$0	\$422,731	\$28,797,661	\$120,188	\$2,018,660	\$1,898,471	\$116,220
2042	22	0	\$0	\$431,186	\$29,373,614	\$120,188	\$2,018,660	\$1,898,471	\$120,916
2043	23	0	\$0	\$439,810	\$29,961,086	\$125,044	\$2,100,213	\$1,975,169	\$120,916
2044	24	0	\$0	\$448,606	\$30,560,308	\$125,044	\$2,100,213	\$1,975,169	\$125,801
2045	25	0	\$0	\$457,578	\$31,171,514	\$130,096	\$2,185,062	\$2,054,966	\$125,801
Total		137	\$19,767,600						\$2,288,253

[1] The El Paso County Assessor has provided an estimated market value range of \$217,000 to \$254,000 per unit (assuming a 2020 valuation). However, based on the estimated reduced income generated by the affordable units the Assessor has reduced this estimate to \$133,333 to \$148,148 per unit. EPS has used the average of this range and applied two years of value escalation to estimate actual statutory value.

[2] Reflects a biennial reassessment.

Source: Economic & Planning Systems

Taxing District Impact

El Paso County Impact

El Paso County property tax revenues, which include El Paso County and El Paso County Road and Bridge, are based on the combined 7.552 mill levy. Existing property taxes refer to the "Base" and would not be deferred. The County's share of the current property tax base is \$611, shown in **Table 4**. The base amount is expected to grow at 2.0 percent per year resulting in an annual amount of \$944 for El Paso County in year 25 and generating a total of approximately \$19,600 over the 25-year period. The increment value will be deferred by the County for the 25-year period. Over this time, the total property tax deferred by the County would be approximately \$271,324 or \$10,853 per year.

Table 4. El Paso County Property Tax Revenue, 2020-2045

Year	Plan Year	El Paso County Property Tax: 7.552 mills		
		Base	Increment	Total
2020	0	\$611	\$0	\$611
2021	1	\$611	\$0	\$611
2022	2	\$611	\$0	\$611
2023	3	\$611	\$0	\$611
2024	4	\$636	\$10,038	\$10,674
2025	5	\$636	\$10,038	\$10,674
2026	6	\$661	\$10,444	\$11,105
2027	7	\$661	\$10,444	\$11,105
2028	8	\$688	\$10,866	\$11,554
2029	9	\$688	\$10,866	\$11,554
2030	10	\$716	\$11,305	\$12,021
2031	11	\$716	\$11,305	\$12,021
2032	12	\$745	\$11,762	\$12,506
2033	13	\$745	\$11,762	\$12,506
2034	14	\$775	\$12,237	\$13,011
2035	15	\$775	\$12,237	\$13,011
2036	16	\$806	\$12,731	\$13,537
2037	17	\$806	\$12,731	\$13,537
2038	18	\$839	\$13,245	\$14,084
2039	19	\$839	\$13,245	\$14,084
2040	20	\$872	\$13,781	\$14,653
2041	21	\$872	\$13,781	\$14,653
2042	22	\$908	\$14,337	\$15,245
2043	23	\$908	\$14,337	\$15,245
2044	24	\$944	\$14,916	\$15,861
2045	25	\$944	\$14,916	\$15,861
Total		\$19,620	\$271,324	\$290,944

Source: Economic & Planning Systems

Harrison School District Impact

The Plan Area is located within the Harrison School District Number 2, which has a 47.227 mill levy. The School District’s share of the current property tax base is \$3,820, shown in **Table 5**. The base amount is expected to grow at 2.0 percent per year resulting in an annual amount of \$5,905 in year 25 and generating a total of approximately \$122,697 over the 25-year period. The increment value will be deferred by the School District for the 25-year period. Over this time, the total property tax deferred by the School District would be approximately \$1.7 million or \$67,870 per year.

Table 5. School District Property Tax Revenue, 2020-2045

Year	Plan Year	School Dist. Property Tax: 47.227 mills		
		Base	Increment	Total
2020	0	\$3,820	\$0	\$3,820
2021	1	\$3,820	\$0	\$3,820
2022	2	\$3,820	\$0	\$3,820
2023	3	\$3,820	\$0	\$3,820
2024	4	\$3,974	\$62,776	\$66,750
2025	5	\$3,974	\$62,776	\$66,750
2026	6	\$4,135	\$65,312	\$69,447
2027	7	\$4,135	\$65,312	\$69,447
2028	8	\$4,302	\$67,950	\$72,252
2029	9	\$4,302	\$67,950	\$72,252
2030	10	\$4,476	\$70,696	\$75,171
2031	11	\$4,476	\$70,696	\$75,171
2032	12	\$4,656	\$73,552	\$78,208
2033	13	\$4,656	\$73,552	\$78,208
2034	14	\$4,845	\$76,523	\$81,368
2035	15	\$4,845	\$76,523	\$81,368
2036	16	\$5,040	\$79,615	\$84,655
2037	17	\$5,040	\$79,615	\$84,655
2038	18	\$5,244	\$82,831	\$88,075
2039	19	\$5,244	\$82,831	\$88,075
2040	20	\$5,456	\$86,178	\$91,633
2041	21	\$5,456	\$86,178	\$91,633
2042	22	\$5,676	\$89,659	\$95,335
2043	23	\$5,676	\$89,659	\$95,335
2044	24	\$5,905	\$93,281	\$99,187
2045	25	\$5,905	\$93,281	\$99,187
Total		\$122,697	\$1,696,744	\$1,819,441

Source: Economic & Planning Systems

City of Colorado Springs Impact

The City of Colorado Springs has a 4.279 mill levy. The City's share of the current property tax base is \$346, shown in **Table 6**. The base amount is expected to grow at 2.0 percent per year resulting in an annual amount of \$535 in year 25 and generating a total of approximately \$11,117 over the 25-year period. The increment value of property taxes generated, which will be deferred by the City, would be approximately \$153,733 over the 25-year period or \$6,149 per year.

Table 6. City of Colorado Springs Property Tax Revenue, 2020-2045

Year	Plan Year	Co. Springs Property Tax: 4.279 mills		Total
		Base	Increment	
2020	0	\$346	\$0	\$346
2021	1	\$346	\$0	\$346
2022	2	\$346	\$0	\$346
2023	3	\$346	\$0	\$346
2024	4	\$360	\$5,688	\$6,048
2025	5	\$360	\$5,688	\$6,048
2026	6	\$375	\$5,918	\$6,292
2027	7	\$375	\$5,918	\$6,292
2028	8	\$390	\$6,157	\$6,546
2029	9	\$390	\$6,157	\$6,546
2030	10	\$406	\$6,405	\$6,811
2031	11	\$406	\$6,405	\$6,811
2032	12	\$422	\$6,664	\$7,086
2033	13	\$422	\$6,664	\$7,086
2034	14	\$439	\$6,933	\$7,372
2035	15	\$439	\$6,933	\$7,372
2036	16	\$457	\$7,213	\$7,670
2037	17	\$457	\$7,213	\$7,670
2038	18	\$475	\$7,505	\$7,980
2039	19	\$475	\$7,505	\$7,980
2040	20	\$494	\$7,808	\$8,302
2041	21	\$494	\$7,808	\$8,302
2042	22	\$514	\$8,124	\$8,638
2043	23	\$514	\$8,124	\$8,638
2044	24	\$535	\$8,452	\$8,987
2045	25	\$535	\$8,452	\$8,987
Total		\$11,117	\$153,733	\$164,850

Source: Economic & Planning Systems

Pikes Peak Library District Impact

The Plan Area is located within the Pikes Peak Library District, which has a 3.731 mill levy. The Library’s share of the current property tax base is \$302, shown in **Table 7**. The base amount is expected to grow at 2.0 percent per year resulting in an annual amount of \$467 in year 25 and generating a total of approximately \$9,693 over the 25-year period. The increment value of property taxes generated, which will be deferred by the Library District, would be approximately \$134,045 over the 25-year period or \$5,362 per year.

Table 7. Library Property Tax Revenue, 2020-2045

Year	Plan Year	Library Property Tax: 3.731 mills		
		Base	Increment	Total
2020	0	\$302	\$0	\$302
2021	1	\$302	\$0	\$302
2022	2	\$302	\$0	\$302
2023	3	\$302	\$0	\$302
2024	4	\$314	\$4,959	\$5,273
2025	5	\$314	\$4,959	\$5,273
2026	6	\$327	\$5,160	\$5,486
2027	7	\$327	\$5,160	\$5,486
2028	8	\$340	\$5,368	\$5,708
2029	9	\$340	\$5,368	\$5,708
2030	10	\$354	\$5,585	\$5,939
2031	11	\$354	\$5,585	\$5,939
2032	12	\$368	\$5,811	\$6,179
2033	13	\$368	\$5,811	\$6,179
2034	14	\$383	\$6,045	\$6,428
2035	15	\$383	\$6,045	\$6,428
2036	16	\$398	\$6,290	\$6,688
2037	17	\$398	\$6,290	\$6,688
2038	18	\$414	\$6,544	\$6,958
2039	19	\$414	\$6,544	\$6,958
2040	20	\$431	\$6,808	\$7,239
2041	21	\$431	\$6,808	\$7,239
2042	22	\$448	\$7,083	\$7,532
2043	23	\$448	\$7,083	\$7,532
2044	24	\$467	\$7,369	\$7,836
2045	25	\$467	\$7,369	\$7,836
Total		\$9,693	\$134,045	\$143,738

Source: Economic & Planning Systems

Southeastern Colorado Water Conservancy District Impact

The Plan Area is located within the Southeastern Colorado Water Conservancy District, which has a 0.902 mill levy. The District's share of the current property tax base is \$73, shown in **Table 8**. The base amount is expected to grow at 2.0 percent per year resulting in an annual amount of \$113 in year 25 and generating a total of approximately \$2,343 over the 25-year period. The increment value of property taxes generated, which will be deferred by the Water Conservancy District, would be approximately \$32,407 over the 25-year period or \$1,296 per year.

Table 8. Water Conservancy Property Tax Revenue, 2020-2045

Year	Plan Year	Water Conserv. Property Tax: .902 mills		
		Base	Increment	Total
2020	0	\$73	\$0	\$73
2021	1	\$73	\$0	\$73
2022	2	\$73	\$0	\$73
2023	3	\$73	\$0	\$73
2024	4	\$76	\$1,199	\$1,275
2025	5	\$76	\$1,199	\$1,275
2026	6	\$79	\$1,247	\$1,326
2027	7	\$79	\$1,247	\$1,326
2028	8	\$82	\$1,298	\$1,380
2029	9	\$82	\$1,298	\$1,380
2030	10	\$85	\$1,350	\$1,436
2031	11	\$85	\$1,350	\$1,436
2032	12	\$89	\$1,405	\$1,494
2033	13	\$89	\$1,405	\$1,494
2034	14	\$93	\$1,462	\$1,554
2035	15	\$93	\$1,462	\$1,554
2036	16	\$96	\$1,521	\$1,617
2037	17	\$96	\$1,521	\$1,617
2038	18	\$100	\$1,582	\$1,682
2039	19	\$100	\$1,582	\$1,682
2040	20	\$104	\$1,646	\$1,750
2041	21	\$104	\$1,646	\$1,750
2042	22	\$108	\$1,712	\$1,821
2043	23	\$108	\$1,712	\$1,821
2044	24	\$113	\$1,782	\$1,894
2045	25	\$113	\$1,782	\$1,894
Total		\$2,343	\$32,407	\$34,750

Source: Economic & Planning Systems

Cost of Service and Infrastructure Costs

Residential development in the County has a direct impact on County services and infrastructure costs. However, the cost of service and infrastructure costs vary depending on whether or not the development occurs within incorporated or unincorporated areas. The entire Plan Area is located within the City of Colorado Springs municipal boundaries. It is also noteworthy that the majority of urban services required by the new development will be provided by the City of Colorado Springs, such as police, parks and recreation, water, sewer, and general administration such as planning, zoning, land use code enforcement, business licensing, etc.

For the purposes of this analysis, EPS assumes that the modest additional service cost to the County associated with the future development within the City of Colorado Springs is balanced by additional revenue sources, such as intergovernmental transfers and fees for services. While modest, the County will receive sales tax revenues from the residents living within the development. The County is expected to have no financial exposure for infrastructure costs or other capital improvements. Future infrastructure costs that are associated with development on parcels included in the Plan boundary are anticipated to be financed by the developer initially, and by the Colorado Springs Urban Renewal Authority and the City of Colorado Springs in the future.

Summary of the Net County Impact

Based on the analysis included in this report, EPS anticipates that the impact of the proposed Almagre Urban Renewal Plan on El Paso County will be positive. If the County portion of the property taxes was deferred during this period, the County would experience an annual fiscal impact of \$611 in 2021, the first year of development. By 2046, the end of the 25-year tax increment financing period, the County's portion of property tax is expected to increase to \$16,502 per year as a result from the inclusion of developed parcels in the URA.

Based on previous experience evaluating county fiscal structures, EPS has a understanding of expenditures, revenues, and alternative revenue sources that new development generates as well as the corresponding costs of service attributed to various development types. Moreover, because the future development will be located within the City of Colorado Springs, and the City is responsible for a majority of services, including ones with typically higher costs to local government (i.e., police, public works, water), the County's exposure in terms of its financial outlay will be modest and is expected to be mitigated with user fees and other revenue sources.