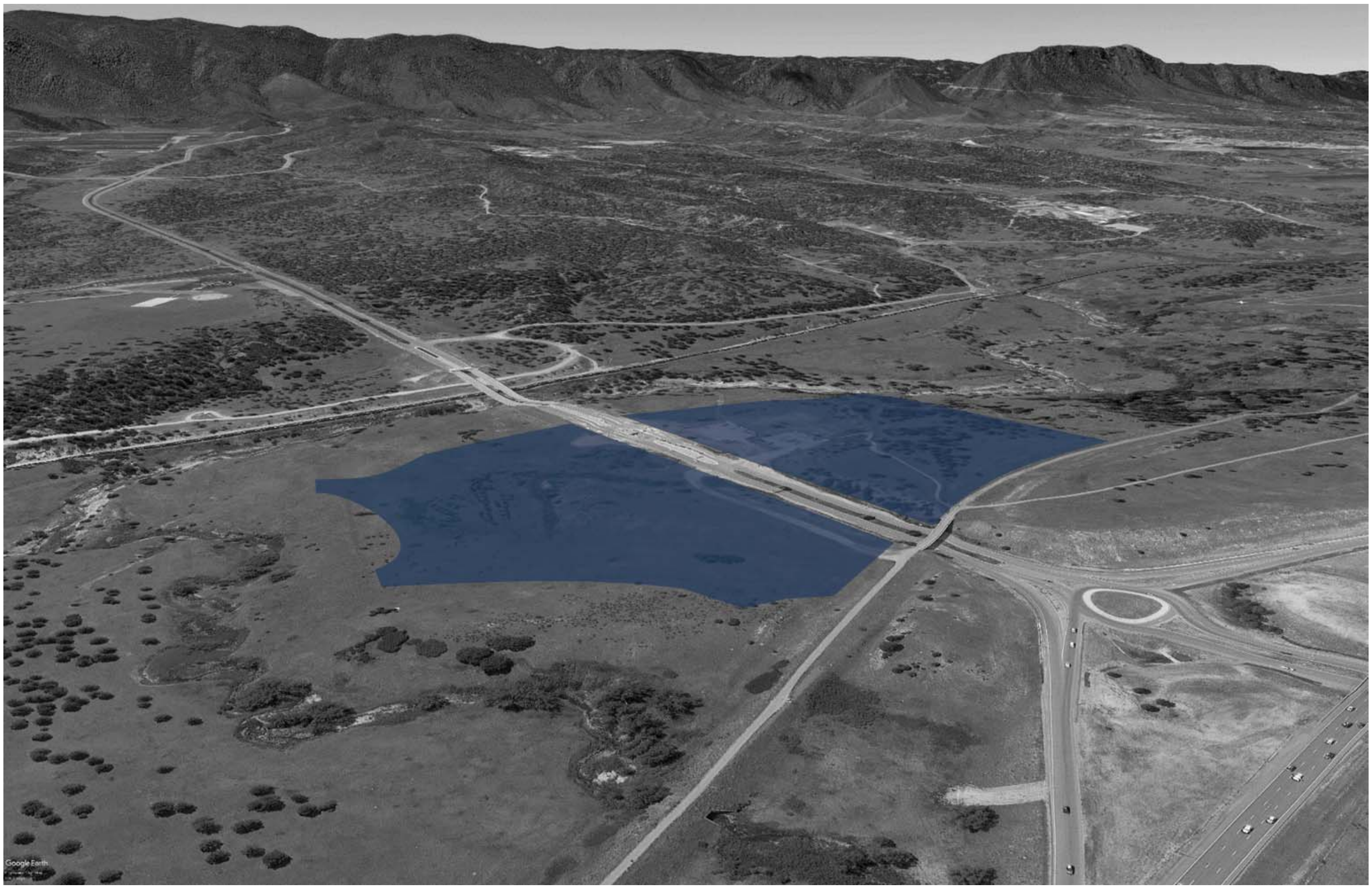


## A MARKET AND REVENUE STUDY

# USAFA VISITOR CENTER DISTRICT

### Colorado Springs, Colorado

September 18, 2019

PREPARED FOR
**RBC Capital Markets**

DEVELOPMENT STRATEGIES®

September 18, 2019

Mr. Michael Persichitte
Vice President – Municipal Finance
RBC Capital Markets
1801 California Street, Suite 3850
Denver, Colorado 80202

Re: USAFA Visitor Center District Market and Revenue Study

Dear Mr. Persichitte:

Development Strategies is pleased to submit this market and revenue study for developments proposed within the United States Air Force Academy (USAFA) Visitor Center Business Improvement District in Colorado Springs, Colorado. These proposed developments include a 375-room full-service hotel, 170,000 square feet of Class A office space, 22,000 square feet of retail, restaurant, and entertainment space, and a 33,000-square foot USAFA Visitor Center.

The purpose of this study is to assess the current market and marketability of the proposed development uses and provide revenue projections for the underwriting of bonds associated with the construction of the Visitor Center and other public infrastructure associated with the project. Funding sources include a special district mill levy on property within the District, as well as Tax Increment Financing (TIF) and public improvement fees (PIF) on all taxable sales and lodging.

Based on our analysis of local market and economic conditions, there is sufficient market support for the proposed developments. The property is well-located in a rapidly-growing area and the proposed property types are appropriate for the market. Development is likely to occur over a relatively short timeframe, with full build-out in five years. We have also projected nearly $178.1 million in total revenue will be available through 2049 for repayment of bonds associated with the project.

Development Strategies appreciates the opportunity to assist you with this market and revenue study. Should you or your associates have any questions about the following report, please feel free to contact us.

Respectfully submitted and approved on behalf of
DEVELOPMENT STRATEGIES

Larry E. Marks

Larry Marks, AICP, AIA
*Principal*

Stephen Schuman

Stephen Schuman
*Associate*

# TABLE OF CONTENTS

# EXECUTIVE SUMMARY

## Project Description

The subject of this market and revenue study consists of various developments proposed for the United States Air Force Academy Visitor Center Business Improvement District ("the District") in Colorado Springs, Colorado. As currently proposed, development will include a full-service hotel, Class A office space, retail, restaurant, and entertainment space, and the USAFA Visitor Center. Construction is expected to begin in March 2020.

The purpose of this study is to assist RBC Capital Markets and the project's underwriting team by informing them of the current market and marketability of the proposed uses along with absorption estimates and sales projections. We also provide revenue projections generated by the property, sales, and use taxes associated with the developments for purposes of providing funding for the Visitor Center and other public infrastructure.

## Market Conclusions

Market conditions in the Colorado Springs MSA and the primary market area (PMA) are generally supportive of the proposed development program. Our primary conclusions are as follows:

- The District is very well located due to its close proximity to the USAFA and Interstate 25.
- Population and economic growth in the area remain strong, with few signs of slowdown.
- The proposed mixed-use development will be superior to existing properties in the market.
- Demand for new hotel rooms has risen considerably in recent years and most new competitive supply is positioned at limited-service and mid-scale levels.
- There is excess demand for most retail types in this location, while any prospective restaurants or retail will capitalize on the overall project's enhanced visibility and product offerings.
- Continued economic growth and improved market fundamentals provide support for new office development, but strong interest and pre-leasing from prospective tenants will be necessary.

## Phasing and Development Schedule

Given strong market conditions, the development should be completed and leased within a fairly compact schedule. Construction is expected to begin in March 2020, with completion of the first office building, hotels, and retail space by late 2021, while the iFly is expected to open in late 2020. We estimate the second office building will be completed in 2023, though this completion date could be moved up with sufficient preleasing.

## Revenue Projections

Based on our projections of the anticipated timeline of development, future assessments, retail and service sales, and hotel and lodging sales, as well as anticipated revenues from the Regional Tourism Authority, the proposed developments are projected to generate nearly $178.1 million in public revenues over 30 years through 2049. While the TIF will expire in 2043, there is no expiration date on the BID. These revenues are summarized by source in the following table, with projections for each source available in the appendix.

Summary of Projected Revenues

| Source | Total Revenues[1] |
|---|---|
| Property Tax Increment @ 76.212 mills | $ 36,413,206 |
| BID Mill Levy @ 50 mills | $ 31,381,220 |
| S.O. Taxes @ 6.0% | $ 1,769,596 |
| City Retail Sales Tax Increment @ 1.75% | $ 5,141,651 |
| City Hotel Sales Tax Increment @ 1.75% | $ 15,036,667 |
| County Retail Sales Tax Increment @ 0.875% | $ 2,570,826 |
| County Hotel Sales Tax Increment @ 0.875% | $ 7,518,333 |
| PIF Retail Sales @ 3.0% | $ 11,933,565 |
| PIF Service Sales @ 3.0% | $ 2,863,479 |
| PIF Hotel Sales @ 3.0% | $ 34,903,769 |
| PIF Lodging at 2.0% | $ 15,308,671 |
| Regional Tourism Authority (RTA) | $ 13,255,000 |
| Total | $ 178,095,983 |

[1] All projected revenues adjusted downward 2% for collection fees

# INTRODUCTION AND SCOPE

## Introduction

The subject of this market and revenue study is the developments currently proposed for the United States Air Force Academy (USAFA) Visitor Center Business Improvement District ("the District") in Colorado Springs, Colorado. Development will consist of full-service and limited-service hotels, entertainment retail, restaurants, and Class A office space, as well as the 33,000-square foot USAFA Visitor Center.

The District was established in 2018 under the Business Improvement District Act, Section 31-25-1201, et seq., C.R.S., with authorization from the City of Colorado Springs, to provide a funding source for public infrastructure required by the development and to provide on-going funding for the operation and maintenance of retained District improvements and facilities. Funding for these improvements and services is provided by the issuance of bonds that are repaid over a 30-year period from a special district mill levy for property located within the District, as well as 25 years of Tax Increment Financing (TIF) and public improvement fees (PIF) on all taxable sales and lodging within the District. Other external funding sources will also be available, but are not subject to the projections contained within this report.

The purpose of this report is to assist RBC Capital Markets with the due diligence and financial underwriting of the bonds associated with the development. It is intended to inform them and other investors of the current market and marketability of the proposed development uses, along with reasonable estimates of absorption and sales. It also provides full 30-year projections of revenues generated by the special mill levy, the TIF, and the PIF.

The report follows an executive summary format that provides appropriate documentation for involved parties to understand our processes and conclusions.

## Property Description

The District is located along North Gate Boulevard just west of its interchange with Interstate 25 in northwestern Colorado Springs. The District contains about 57 acres of mostly undeveloped land, with 38 acres proposed for the initial phase of development.

Proposed uses for this phase include a Hilton-brand hotel containing 375 full-service rooms. It will also include 20,400 square feet of retail and restaurant space, a 5,000-square foot iFly skydiving simulator, and 170,000 square feet of Class A office space in two buildings. A major activity generator will be the USAFA Visitor Center, which will contain roughly 33,000 square feet of exhibit, event, and gift shop space. Additional development is expected for the remaining 19 acres, but there is no specific proposal. Construction is slated to begin in March 2020, with initial completion of the iFly by late 2020 and the remaining development components completed by late 2021.

Summary details regarding the development components are provided in the following table, with a conceptual site plan shown on the following page.

Proposed Developments

| Development | Size of Development | Status | Est. Start Date |
|---|---|---|---|
| Full-Service Hotel | 250 rooms | Proposed | Mar-20 |
| Limited-Service Hotel | 125 rooms | Proposed | Mar-20 |
| Class A Offices | 170,000 sf | Proposed | Mar-20 |
| Inline Retail | 12,000 sf | Proposed | Mar-21 |
| Restaurant | 5,000 sf | Proposed | Mar-21 |
| Skydiving Simulator (iFly) | 5,000 sf | Proposed | Mar-20 |

## District Site Plan

# SITE AND MARKETABILITY

## Strengths and Assets

The District's location at the northern entrance to the USAFA campus within the rapidly growing Colorado Springs region, provides considerable strengths and assets. Chief among them is its immediate access and proximity to Interstate 25, the region's primary north-south thoroughfare and to the Air Force Academy, one of the region's primary drivers of economic and visitor activity. It also has views and access to the Rocky Mountains, is well served by new retail development and affluent housing situated east of the interstate, and is near various recreational amenities. The subject's location and proximity to these amenities is summarized in the graphic below.

## Weaknesses

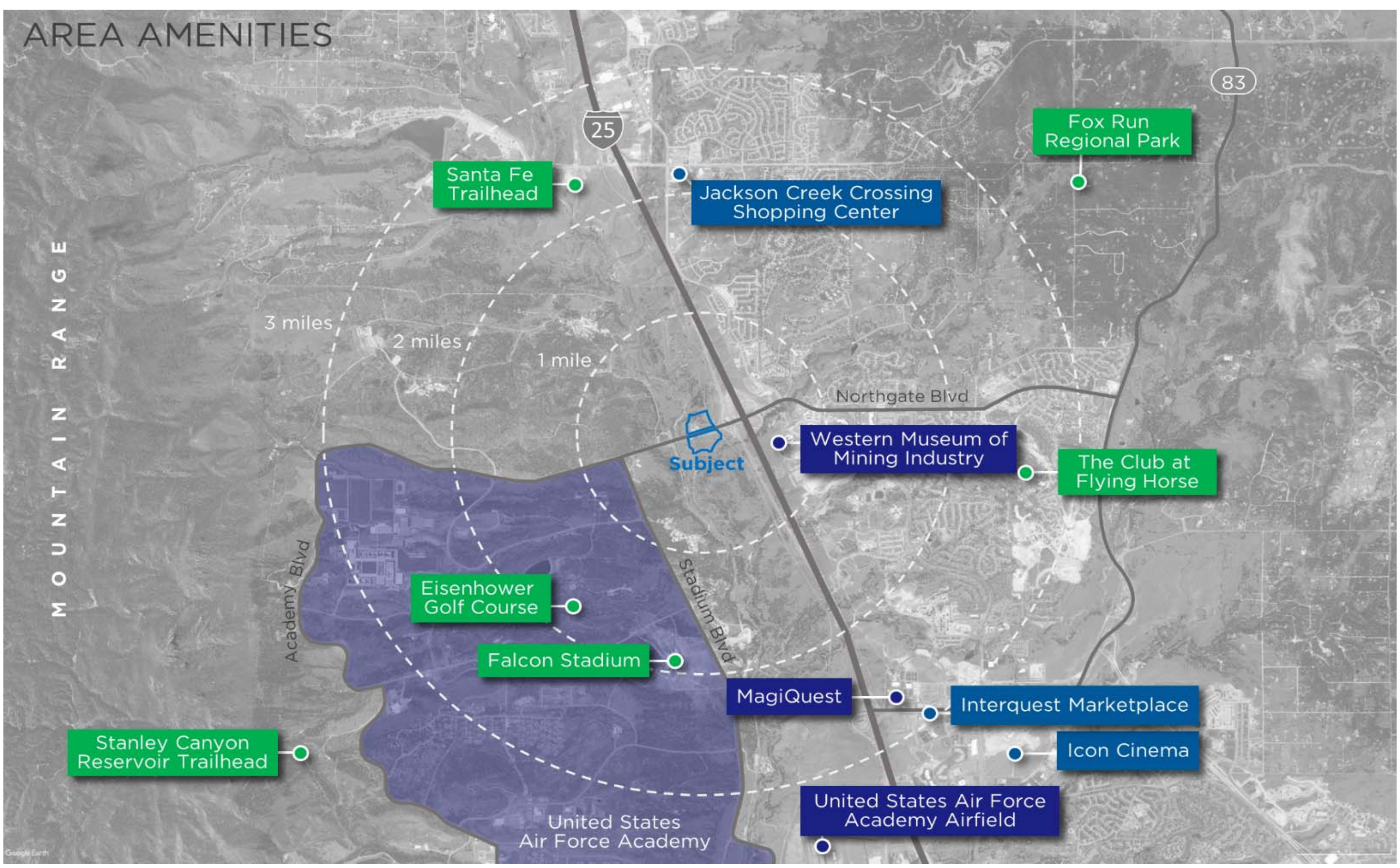
While the site has few weaknesses, its location on the edge of development between the interstate and mountains reduces its potential for large-scale retail development since there is little to no population or potential consumer spending power to its west. There is also a considerable amount of new retail or available sites for retail that are immediately east of the interstate that may be better positioned to capture household spending from other parts of the Colorado Springs region.

## Opportunities

Given the site's strengths and assets, there is very strong opportunity for large mixed-use development, particularly for hotel, office, and residential uses. There is also a good opportunity for smaller and more experiential types of retail that serve a mix of academy visitors, area employment, and nearby residents, but the amount of space is more limited. With strong population and economic growth occurring throughout the PMA and region, development of the site is well timed and positioned for success.

## Threats

The greatest threat to the proposed development is a significant change in market and economic conditions along with increased competition from other developments. Although economic conditions remain positive, local job growth has cooled somewhat since 2017 and any negative changes to the national or regional economy would lead to reduced demand. Additionally, t numerous nearby hotel and retail projects under construction and planned will provide additional competition and could negatively impact the performance of properties within the District.



# ECONOMIC OVERVIEW

Colorado has experienced robust economic growth over the past decade, with a 23 percent increase in total employment from 2010 through May 2019. Although not quite as strong as the state, the Colorado Springs MSA added roughly 55,000 jobs during the same time period, a 19 percent increase. This has led to a 6.3-percent decline in the regional unemployment rate since its peak in 2010. Employment growth has occurred annually during the past decade, but the largest year-over-year gain in employment occurred in 2017 with an increase of nearly 13,000 new jobs. Job growth slowed somewhat in 2018, but has accelerated again in 2019, with more than 7,800 new jobs added through May.

Fort Carson, the USAFA, the Peterson Air Force Base, and the Schriever Air Force Base, give the region strength in the public administration/government and education sectors, with additional strength in health care, tech, and other professional services. Growth in these sectors, along with the accommodation/food services industry, has contributed significantly to local employment growth, with the biggest percentage and numerical increases occurring in these industries.

According to long-term industry projections provided by the Colorado Department of Labor, the largest employment increases in the MSA are expected to continue within many of the region's strongest industries, including health care, construction, and educational service sectors. Significant growth is also projected in the professional, scientific, and technical services, accommodation and food services, and financial and insurance sectors, which are all potential drivers of demand for new office, hotel, and retail space.

Given these strengths and projections, the outlook for future economic growth is very positive and indicates there will be opportunities for a wide range of development, including new Class A and medical office space, hotels, and retail space.

### KEY METRICS
Colorado Springs MSA

**Job Gain (2010 – May 2019)**

| | |
|---|---|
| 19% COLORADO SPRINGS MSA | 23% COLORADO |

**Colorado Springs MSA Unemployment Rates**

| | |
|---|---|
| 9.3% 2010 | 3.0% 2019 |

**Colorado Springs MSA Industry Employment Growth (2010 – 2019)**

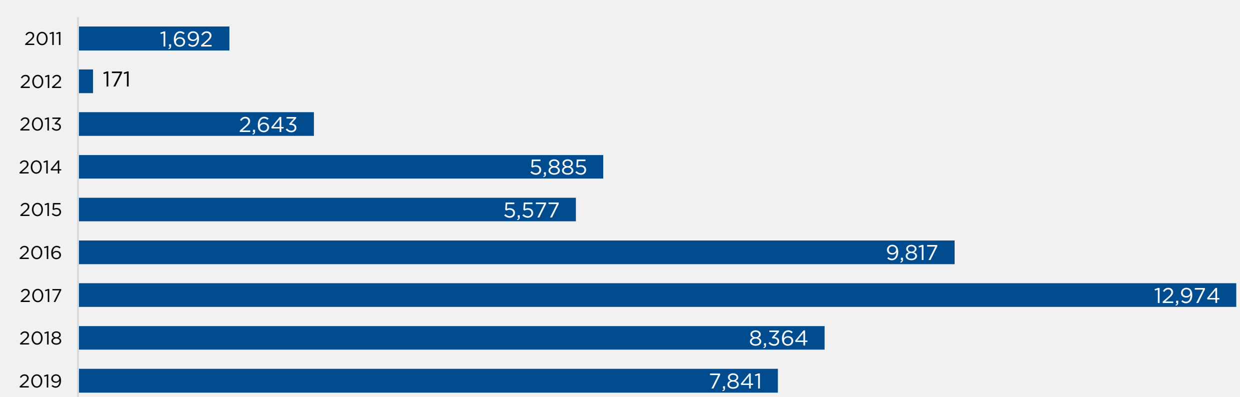
| | |
|---|---|
| EDUCATIONAL AND HEALTH SERVICES | 12,600 |
| HEALTH CARE AND SOCIAL ASSISTANCE | 12,400 |
| LEISURE AND HOSPITALITY | 7,800 |

**Colorado Springs MSA Projected Industry Growth (2017 – 2027)**

| | |
|---|---|
| HEALTH CARE AND SOCIAL ASSISTANCE | 38% |
| CONSTRUCTION | 35% |
| EDUCATIONAL AND HEALTH SERVICES | 23% |

Source: Bureau of Labor Statistics, Colorado Department of Labor 2019

ANNUAL EMPLOYMENT GROWTH
Colorado Springs MSA (2010 - May 2019)
*Source: Bureau of Labor Statistics, 2019*



# DEMOGRAPHIC OVERVIEW

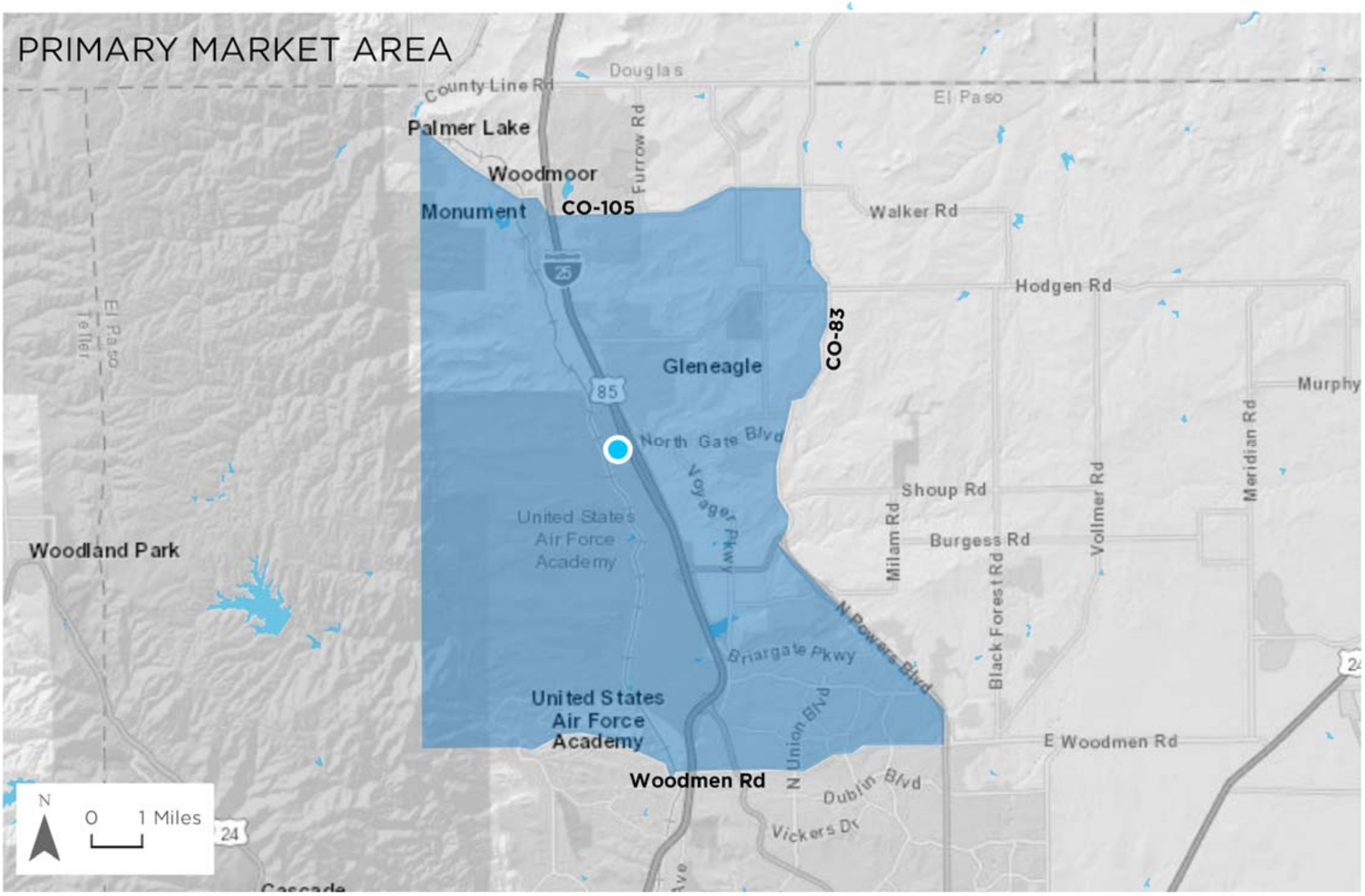
## Primary Market Area

The primary market area (PMA) is typically defined as the smallest geographic area expected to generate between 60 to 80 percent of the support for a project. It is used in this report for demographic analysis to identify and express patterns and commonalities between existing residents, some of whom represent potential future consumers and patrons of new retail within the District. It will also serve to support capture rates of future office demand.

Market boundaries are sometimes defined by *hard boundaries*, such as rivers, highways and other major thoroughfares, railroads, etc. Often, market areas are defined by *soft boundaries*—that is, marked changes in socio-economic condition, such as income, density, ethnicity, and educational attainment.

Employees in the office space and patrons of the retail and restaurants within the District will come from a broad regional geography, with additional support for the retail coming from visitors.

While support will be broad, it is important to define a market area of fairly limited size to analyze key local characteristics. Therefore, the PMA has been designated as a roughly 89-square mile area that mostly stretches north and south along Interstate 25 just west of the mountains and includes portions of Gleneagle, Monument, and Colorado Springs. The PMA boundaries (shown on the map below) are generally defined by: Highway 105 to the north, Highway 83 to the east, Woodmen Road to the south, and the mountains to the west.



## Population

Colorado has been of the fastest growing states in the country, increasing roughly 15 percent since 2010. Much of this new growth has been concentrated within the Denver region; however, the population in Colorado Springs MSA grew 16 percent since 2010 and currently accounts for 13 percent of the state's population. Population growth in the PMA has outpaced the region, increasing 20 percent—17,000 residents—since 2010. Household growth has been equally impressive and has mirrored population trends, increasing by roughly 22 percent since 2010—adding roughly 5,800 new households.

Similar to the country as a whole, the PMA's largest population increase has been within the *Early Workforce* (ages 25 to 34), *Seniors* (ages 65 to 74), and *Elderly* (ages 75 and older) cohorts. Since 2010, the *Seniors* (ages 65 to 74) cohort increased an estimated 101 percent while the *Early Workforce* (ages 25 to 34) cohort added roughly 4,800 residents, indicating a 69 percent increase.

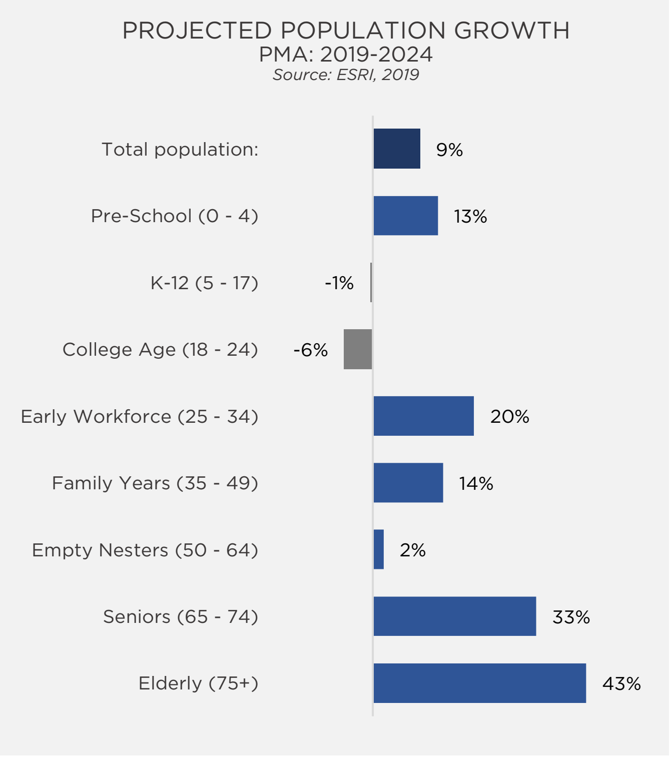
Compared to El Paso County and the MSA, the PMA is comprised of a larger share of families, with 79 percent of all households classified as family households, compared to 68 percent in both the county and MSA. The PMA's age distribution reflects this difference, with a greater share of children and young parents. Given its larger proportion of family households, the PMA also has a larger average household size relative to the county and MSA, with 47 percent of all households consisting of three or more persons, compared to 40 percent in the MSA and state.

Population growth is expected to slow somewhat during the next five years, but the PMA is projected to continue to increase at faster rates than all other study areas. Population growth is expected to be particularly robust within the *Early Workforce, Seniors,* and *Elderly* cohorts, but the *Family Years* cohort is also projected to grow significantly. This suggests that while the population is ageing—a trend consistent with that of the country—it is also adding young professionals and families, which is a particularly good sign for continued stability and economic vibrancy.

### KEY METRICS
PMA

| | |
|---|---|
| 16,586 | residents added since 2010—a 21 percent increase |
| 2.88 TO 2.57 | average household size relative to the MSA |
| 74% | of housing is owner-occupied |
| 36.2 TO 36.3 | median age relative to the MSA |
| $106K TO $66K | median household income compared to the MSA |
| $424K | median housing value |

Source: ESRI, 2019



## Households and Housing

The PMA's large concentration of families is reflected in its average household size of 2.88, the largest household size of all study areas. In the past decade, the PMA has experienced an influx in new households at higher rates than the county, MSA, and state, while accounting for 15 percent of all households in the county since 2010.

Most new households moving to the PMA are buying rather than renting, with 74 percent of all housing units in the PMA owner-occupied, the highest proportion of all study areas by an average of nine percent.

The median housing value in the PMA ($423,567) is also the highest of all study areas, 32 percent greater than the county, 30 percent greater than the MSA, and roughly $46,200 higher than the state overall. In addition to the large proportion of home owners and high housing values, a large proportion of the PMA's housing stock is single-family homes. In the PMA, out of the 32,627 total housing units (97 percent of which are occupied), 87 percent are within single-family detached or attached structures.

## Income

Households in the PMA have a high level of affluence, with the median household income in the PMA ($106,945) roughly $35,700 to $40,000 higher than El Paso County, the Colorado Springs MSA, and the state. Over half of its households (54 percent) earn more than $100,000 a year, while only 31 percent of households in the county and MSA have median incomes higher than $100,000, and only 34 percent of state households have incomes above $100,000.

According to ESRI projections, the median household income is projected to increase in the next five years by a range of 9.4 percent (PMA) to 17.5 percent (county and MSA). Although the PMA is projected to have the slowest rate of growth in median household income, it will continue to have dramatically higher incomes and levels of affluence compared to the other study areas through 2024.

Population and Household Trends

| Description | PMA | El Paso County | Colorado Springs MSA | Colorado |
|---|---|---|---|---|
| **Population** | | | | |
| 2024 Projection | 105,484 | 782,423 | 809,516 | 6,239,361 |
| 2019 Estimate | 96,340 | 724,685 | 750,549 | 5,793,770 |
| 2010 Census | 79,754 | 622,263 | 645,613 | 5,029,196 |
| Annual Growth 2019-2024 | 1.8% | 1.5% | 1.5% | 1.5% |
| Annual Growth 2010-2019 | 2.1% | 1.7% | 1.6% | 1.5% |
| **Households** | | | | |
| 2024 Projection | 35,081 | 295,556 | 307,021 | 2,428,374 |
| 2019 Estimate | 31,755 | 273,933 | 284,856 | 2,257,859 |
| 2010 Census | 25,971 | 235,959 | 245,764 | 1,972,868 |
| Annual Growth 2019-2024 | 2.0% | 1.5% | 1.5% | 1.5% |
| Annual Growth 2010-2019 | 2.2% | 1.6% | 1.6% | 1.5% |
| **Average Household Size** | | | | |
| 2024 Projection | 2.87 | 2.58 | 2.57 | 2.52 |
| 2019 Estimate | 2.88 | 2.58 | 2.57 | 2.51 |
| 2010 Census | 2.88 | 2.56 | 2.55 | 2.49 |
| **Housing Tenure (2019)** | | | | |
| Owner Occupied | 74% | 66% | 66% | 65% |
| Renter Occupied | 26% | 34% | 34% | 35% |
| **Median Housing Value (2019)** | $423,567 | $309,081 | $313,581 | $377,333 |
| **Median Household Income (2019)** | $105,847 | $65,939 | $65,785 | $70,141 |

# OFFICE ANALYSIS

Two three-story office buildings containing a total of 170,000 square feet of Class A space are proposed for the District. Construction on the buildings is currently slated to begin in March 2020, with initial occupancy by April 2021. Triple-net asking rents are expected to range from $24 to $28 per square foot, which equates to full service rents of $34 to $38 per square foot. While a mostly speculative development, the developer has provided a list of tenants that have expressed considerable interest in occupying large blocks of space, as well as two tenants that have or are expected to sign five-year leases for a combined 32,000 square feet of space, or roughly 19 percent of the proposed space.

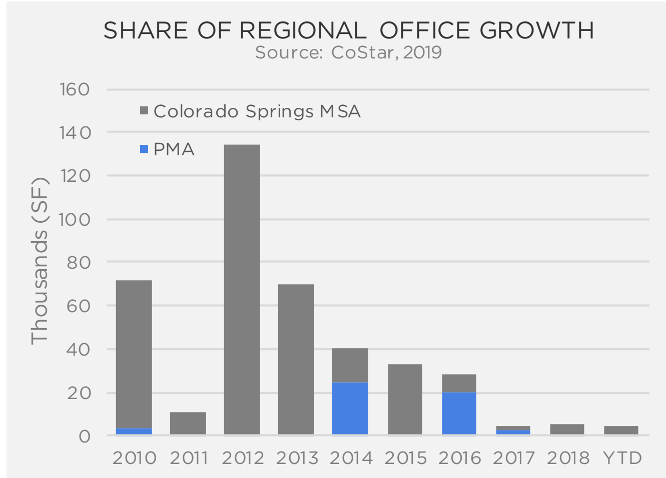
### Target Market

The site is well situated for new office development due to its association with the USAFA, its proximity to the interstate, and nearby Class A office and other adjacent commercial development. New Class A office space is highly marketable to a variety of users including large corporate and professional service firms and tech companies. The developer has already received considerable interest from numerous large defense contractors, a financial services firm, and the USAFA. Other potential users include medical and health care providers. Data from the Colorado Department of Labor & Employment (CDLE) supports strong growth in these fields in the coming years, which will create demand for new office space throughout the region.

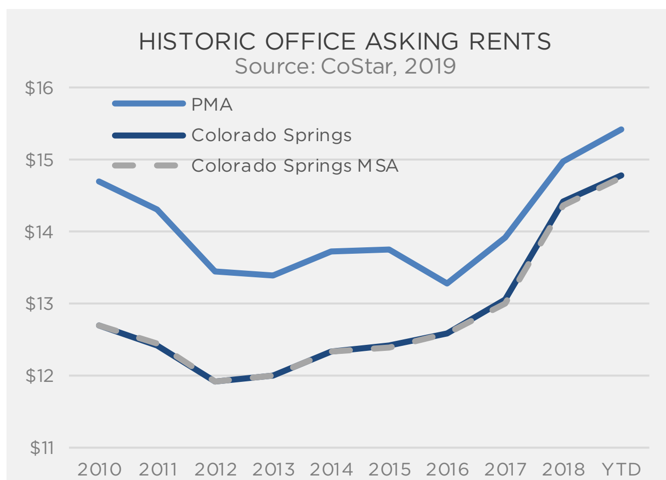
### Supply Overview

Relative to other commercial real estate sectors, the Colorado Springs office market has been slow to recover from the Great Recession, primarily due to overbuilding during the previous decade. According to CoStar, the regional market contains about 29.1 million square feet of space with an average vacancy rate of 8.5 percent. About 6.7 million square feet of was space was built from 2000 to 2009, an annual average of nearly 670,000 square feet.

Since 2010, however, just 400,000 square feet of total office space has been built, an annual average of roughly 44,000 square feet. New construction activity was particularly stagnant in recent years, averaging roughly 13,000 square feet of new space per year from 2016 to 2018. The lack of new supply and improved economy has, however, led to a significant decline in the regional vacancy rate, decreasing 6.5 percentage points since 2010.




The office market has also improved in the PMA, which has generally outperformed the regional market. It captured approximately 43 percent of new regional office development since 2014 and its vacancy rate declined 12.3 percentage points since its peak in 2010 to its current rate of 5.6 percent due to an average net absorption of roughly 100,000 square feet per since 2010, a roughly 40 percent share of regional absorption. This broad reduction in vacancies has also lead to renewed rent growth in the PMA, with an average base, or triple-net, asking rent of $15.42 per square foot, exceeding its 2010 peak. Although the rate of rent growth has been higher in the region and city, the PMA's average asking rent remains above those of both areas.



## Competitive Supply

While there is a significant amount of office supply throughout the market, the District's office component will compete primarily with "newer" Class A properties in the PMA. This designation is somewhat relative, as there has been virtually no recent Class A office development anywhere in the region, especially speculative construction. As newly-constructed Class A space between interstate and the USAFA, the property will have a competitive advantage over existing properties.

To define the market for the proposed space, five comparable office developments were surveyed. Each building is similarly located, is in good to very good condition, and is occupied with a similar tenant base as the proposed office development. Four of the five properties are performing well with occupancy rates above 90 percent and estimated triple net rents of about $18 to $21 per square foot, well below the developer's proposed rents. The graphic on the following page shows the location of these selected office developments long with a summary of relevant information.

Given its newer age and higher quality, Epic One is the most comparable of the selected office developments. It is located about four miles southwest of the District and contains nearly 145,000 square feet of Class A space occupied by a mix of professional, corporate, and tech-related firms. The property is roughly 97 percent occupied and current triple-net rents are estimated to be about $18 to $19 per square foot.

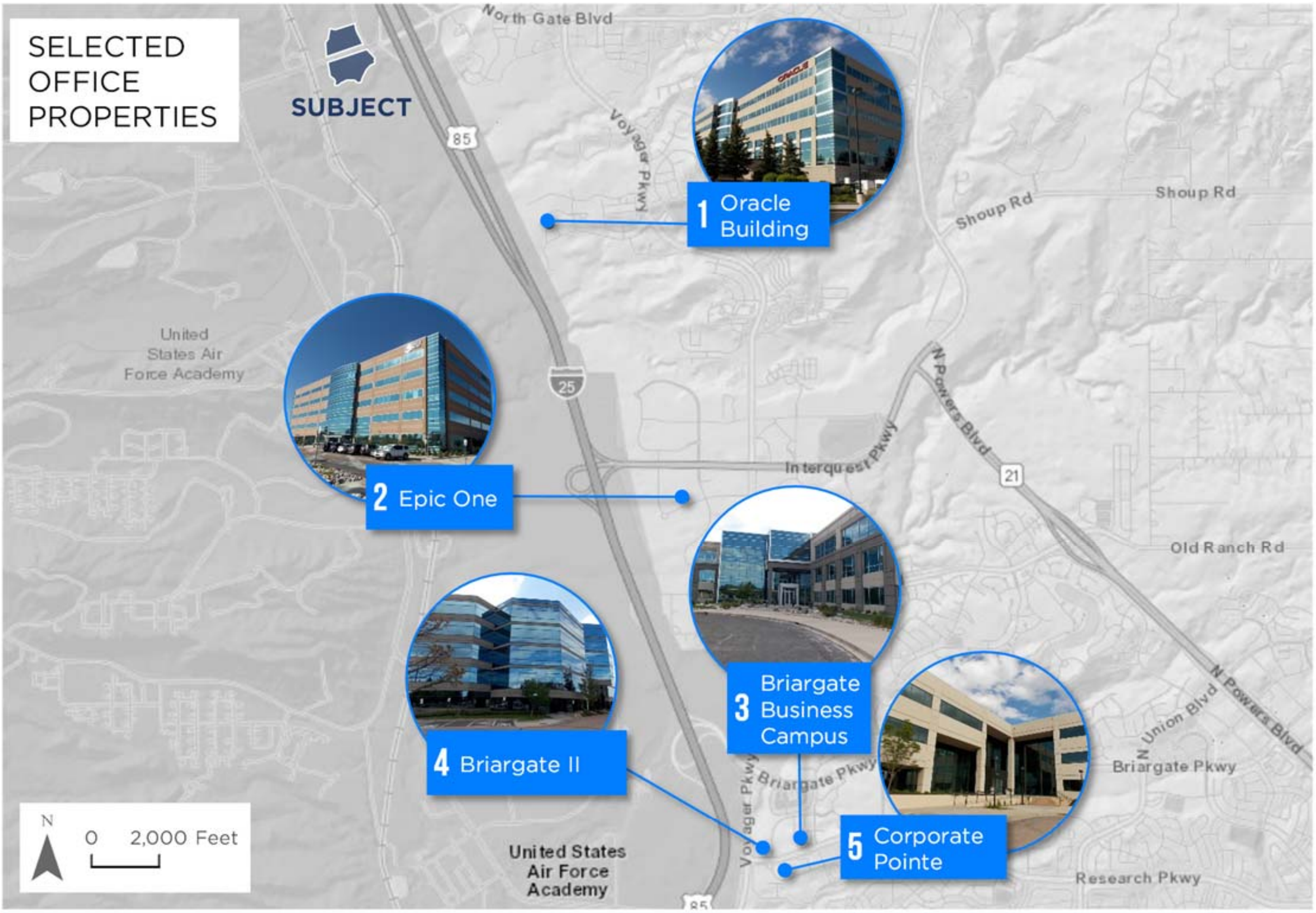
Three of the selected office properties are located within the Briargate Business Campus, which was developed over more than 20 years from the mid-1980s to late 2000s. The business park and surrounding area contains nearly 1.4 million square feet of space, mostly categorized as Class B office space that is less comparable. The three Class A buildings have occupancy rates ranging from 92 to 98 percent and estimated triple net rents of $16 to $20 per square foot.

## Competitive Position Analysis

As currently proposed, new Class A office space within the District would be significantly more marketable than existing competitive supply due to its superior location, affiliation with the USAFA, and new condition. The developer's proposed triple net lease rates of $24 to $28 per square foot are significantly higher than the existing market, but some premium is warranted. Rents that are—at minimum—on the low end of this range are likely achievable. Additionally, the new space will be very attractive to underserved Class A tenants currently in the region or looking to expand in Colorado Springs.


EPIC ONE

CENTERRA OFFICES




| | Center | Year Built | Building Area | Vacancy | Estimated Lease Rate (NNN) | Key Tenants |
|---|---|---|---|---|---|---|
| 1 | Oracle Building | 1999 | 192,000 SF | 13% | $18 - $24 | Oracle |
| 2 | Epic One | 2008 | 145,000 SF | 3% | $18-$19 | Church Community Builder, Mountain West Conference, and Penguin Random House |
| 3 | Briargate Business Campus | 2000 | 99,000 SF | 2% | $18 - $20 | GSA and Envision Radiology |
| 4 | Briargate II | 1987 | 156,000 SF | 2% | $16 - $20 | Strategic Financial Partners and Regus |
| 5 | Corporate Pointe | 1988 | 115,000 SF | 8% | $16 - $18 | Kaiser Permanente and Technology Service Corp. |

Source: CoStar 2019

## Demand Analysis

Determining future demand for office development involves evaluating a complex set of variables. This includes the desirability of the location, availability (and price) of land, existing industry clusters, and potential changes in consumer preferences and industry growth. A somewhat simpler method involves analyzing past office performance and calculating the regional share of office growth captured by the local market over the past decade and estimating future office demand using projected regional job growth in office-related industries.

The Colorado Department of Labor and Employment (CDLE) provides job projections for the Colorado Springs MSA that show an expected increase of nearly 29,000 jobs during the next five years. We estimate that roughly 9,400 are in occupations that regularly occupy various types of office space. Class A space is typically occupied by occupations such as finance, law, architecture, computer programming, and engineering, while occupations in sales, arts and design, and the sciences tend to occupy Class B space. However, most new development has consisted of Class B space—roughly 70 percent—and many jobs that would have historically occupied larger Class A properties are now occupying relatively new Class B space.

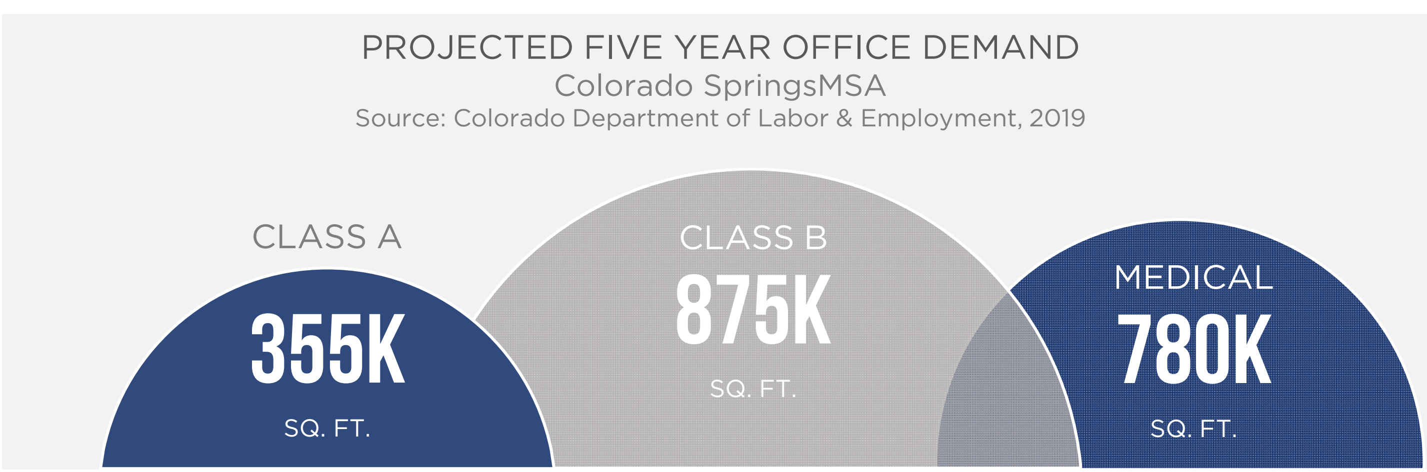
Based on historical supply trends and CDLE projections, occupations that typically occupy Class A space are projected to increase by about 1,850 employees during the next five years while occupations that occupy Class B space are projected to increase by nearly 4,600 jobs. Medical-oriented occupations also utilize office space, and this category is projected to increase by an additional 3,000 jobs over the next five years. These numbers imply total regional demand for more than 2.0 million square feet of total office development during the next five years, with 355,000 square feet of Class A space, 875,000 square feet of Class B space, and 780,000 square feet of medical space.

While these figures far outpace recent development trends—adding more than five times the amount of space since 2010—roughly 2.5 million square feet of vacant space was also absorbed during the same timeframe. It is important to also recognize that not all of this future demand will be accommodated within new space, but a significantly larger share will be because vacancy rates are now at far lower levels and little new supply is available to accommodate growth.

Based on recent development trends, the PMA and the District are well positioned to speculatively capture a significant share of this regional growth. During the past decade the PMA captured roughly 40 percent of total regional development and absorption, which would indicate demand for about 800,000 square feet within the PMA. Given the District's very marketable location and proposed product, it is well-positioned for new Class A and medical office space. With few other competitive sites available, the District could reasonably capture about half of the demand for Class A space and 20 percent for the medical office space. The District could also capture a portion of Class B demand, but it is not currently being positioned to accommodate this growth. Our demand analysis indicates support for about 131,000 square feet of Class A and medical office space during the next five years.

Projected Office Demand
Colorado Springs MSA

| | Office User Type | | | |
|---|---|---|---|---|
| | Class A | Class B | Medical Office | Total |
| Annual Office Employment Growth | 370 | 916 | 595 | 1,882 |
| Implied Annual Office Demand (SF) | 71,000 | 175,000 | 156,000 | 402,000 |
| Five-Year Regional Demand (SF) | 355,000 | 875,000 | 780,000 | 2,010,000 |
| PMA Capture @ 40% (SF) | 142,000 | 350,000 | 312,000 | 804,000 |
| **District Capture** | **71,000** | **-** | **60,000** | **131,000** |



### Development Conclusions and Phasing

Local office market conditions have been weak in recent years, but current and future development prospects are much stronger due to robust job growth and improved market fundamentals. The lack of new supply during the past decade is primarily due to overbuilding in the previous decade and the slow economic recovery following the recession. However, more recent increases in job growth have allowed much of that excess space to be absorbed and regional vacancy rates to fall below ten percent, with a PMA vacancy rate of less than six percent. Given these improvements—along with rising rents—there is a growing opportunity for new high quality office development.

The District would add 170,000 square feet of Class A space, which is nearly half of our estimated total regional demand for Class A space during the next five years and more than double the estimated capture amount. While some of the space may also be occupied by medical office users, demand limitations are more concerning for entirely speculative development. The developer has already received prospective five-year leases from two tenants that would occupy a combined 32,000 square feet of space, and has strong interest from numerous tenants seeking between 5,000 and 40,000 square feet of space.

Given the strong pre-leasing and interest from prospective tenants, it is likely that a first 85,000-square foot building could be successfully completed and delivered by October 2021, while the second building could be completed by late 2023. Additional pre-leasing and tenant interest would expedite the timeframe for the second building.

# RETAIL ANALYSIS

As currently proposed, the District will include a total of 20,400 square feet of retail and restaurant space, a 5,000-square foot iFly skydiving simulator, and 6,000 square feet of gift shop space within the Visitor Center. Construction is slated to start on the iFly in March 2020 and be completed by March 2021, while construction on the remaining 20,400 square feet of space is scheduled to begin in March 2021, with completion by the end of September 2021. This space will consist of an inline retail building and an upscale 8,400-square foot standalone restaurant. The developer has indicated that there are currently 30 letters of interest from prospective tenants, including Starbucks and Jersey Mike's Subs. To confirm a market for the proposed uses, the local and regional retail market has been analyzed.

## Target Market

The market for a retail establishment generally depends on how far consumers are willing to travel to access it. Grocery stores and pharmacies normally attract shoppers from short distances, while high-end retail, entertainment venues, and/or specialty vendors will attract people from farther away.

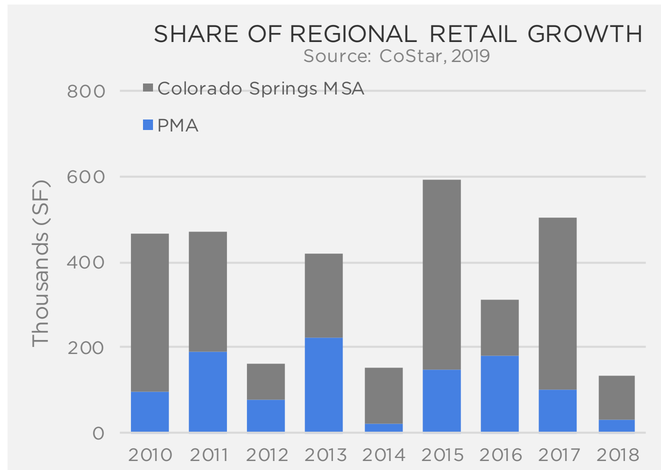
The District's unique surrounding environment and the proposed development program position it to attract retail patrons from greater distances. Its target market will consist primarily of tourists and other visitors to the adjacent Visitor Center, the USAFA, hotel patrons, nearby office employment, and commuters. It is appealing to a broad range of tenant types including upscale establishments and destination retailers. While additional support will come from local residents, other nearby retail centers are better positioned to serve the daily needs of residents east of the interstate.

## Supply Overview

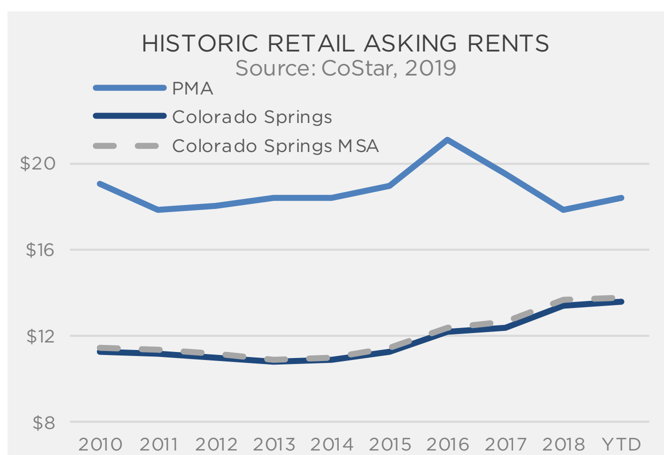
Similar to the office sector, new retail construction in the Colorado Springs region has been modest in recent years as the development community has adjusted to the effects of the recession, rise in online shopping, and changing shopping preferences.

From 2006 to 2009, an annual average of about one million square feet of retail space was delivered to the Colorado Springs MSA. Since 2010, however, the market has averaged roughly 385,000 square feet per year. During this latter time period, developers became more selective about location and altered their projects to be more driven by smaller scale, destination-style retail and full-service restaurants, with fewer big-box retailers and regional centers.

The PMA contains roughly 7.0 million square feet of retail space, accounting for about 17 percent of all retail space within the Colorado Springs MSA. The PMA has captured more than its fair share of recent development, adding roughly 1.0 million square feet of space since 2010, but an annual average of nearly 119,000 square feet since 2014, a share of about 28 percent of regional development. An additional 105,000 square feet is also currently under construction.




Rent growth in the PMA has seen a slight decline, with asking rents decreasing roughly 4 percent since 2010. However, the PMA still outpaces the city and the region despite considerable growth and increasing asking rents in those two areas. According to CoStar, the current average asking lease rate for available space in the PMA is $18.36 per square foot. The current overall vacancy rate is at its ten-year high at 5.4 percent, higher than the regional vacancy rate of 4.4 percent.



## Competitive Supply

Although the PMA contains roughly 7.0 million square feet of retail space, direct competitive supply is fairly limited. Many existing properties in the PMA are older or are significantly larger with numerous big-box tenants. For this reason, our analysis of the competitive retail environment has focused on newer small-scale properties with similar locations and likely tenant mixes. We have surveyed and analyzed five competitive retail developments, with relevant information summarized in the graphic on the following page.

According to CoStar, the vast majority of properties built in the PMA since 2000 achieve rents that are above $20 per square foot, while the newest and best located properties typically achieve rents of around $30 per square foot. Due to their nearly identical locations, the most comparable properties to the District include strip centers within Polaris Pointe, a 265,000-square foot center anchored by Bass Pro, and Northgate Plaza, a 74,000-square foot center anchored by a Sprouts Farmers Market grocery store.

While lease terms are negotiable based on the amount of interior finish and length of the term, current asking and achievable rents for smaller spaces—under 10,000 square feet—in Polaris Pointe generally range from about $30 to $32 per square foot, while current asking rents for similar space in Northgate Plaza range from about $28 to $32 per square foot.

Other selected retail properties include Northgate Village, the Shoppes at Voyager, and Interquest Marketplace. Both Northgate Village and the Shoppes at Voyager are slightly older, non-anchored centers with no direct interstate access, which results in lower asking rents. Interquest Marketplace, however, is newer and has immediate interstate access, allowing it to achieve higher rents similar to Polaris Pointe and Northgate Plaza.

## Competitive Position Analysis

As one of the newest properties in the market with direct access to Interstate 25, the subject's proposed retail space will be well-positioned to achieve rents that are—at the least—similar to the competition. Though it does not have a traditional retail anchor, its proximity to the Air Force Academy and the Visitor Center, as well as the adjacent hotel and office developments, will give it a unique competitive advantage over many retail properties throughout the market. For this reason, the proposed retail center should be able to effectively attract quality tenants at lease rates generally consistent with Polaris Pointe and Northgate Plaza.


NORTHGATE PLAZA

POLARIS POINTE


| | Center | Years Built | Building Area | Occupancy Rate | Estimated Lease Rate (NNN) | Key Tenants/Anchors |
|---|---|---|---|---|---|---|
| 1 | Polaris Pointe | 2013-2016 | 265,000 SF | 95% | $30 - $32 | Bass Pro and SafeSplash Overdrive Raceway |
| 2 | Northgate Plaza | 2007-2016 | 74,000 SF | 100% | $28 - $32 | Sprouts Farmers Market, Ace Hardware, and Domino's Pizza |
| 3 | Northgate Village | 2003-2016 | 53,500 SF | 87% | $22 - $24 | F45 Training, Pinot's Palette, and Sushi Ato |
| 4 | The Shops at Voyager | 2008 | 23,400 SF | 100% | $20 - $22 | Shri Ganesh |
| 5 | Interquest Marketplace | 2012 and 2017 | 16,000 SF | 68% | $30 - $32 | Freddy's Steakburgers, Jersey Mike's, and Kum & Go |

Source: CoStar 2019

## Demand Analysis

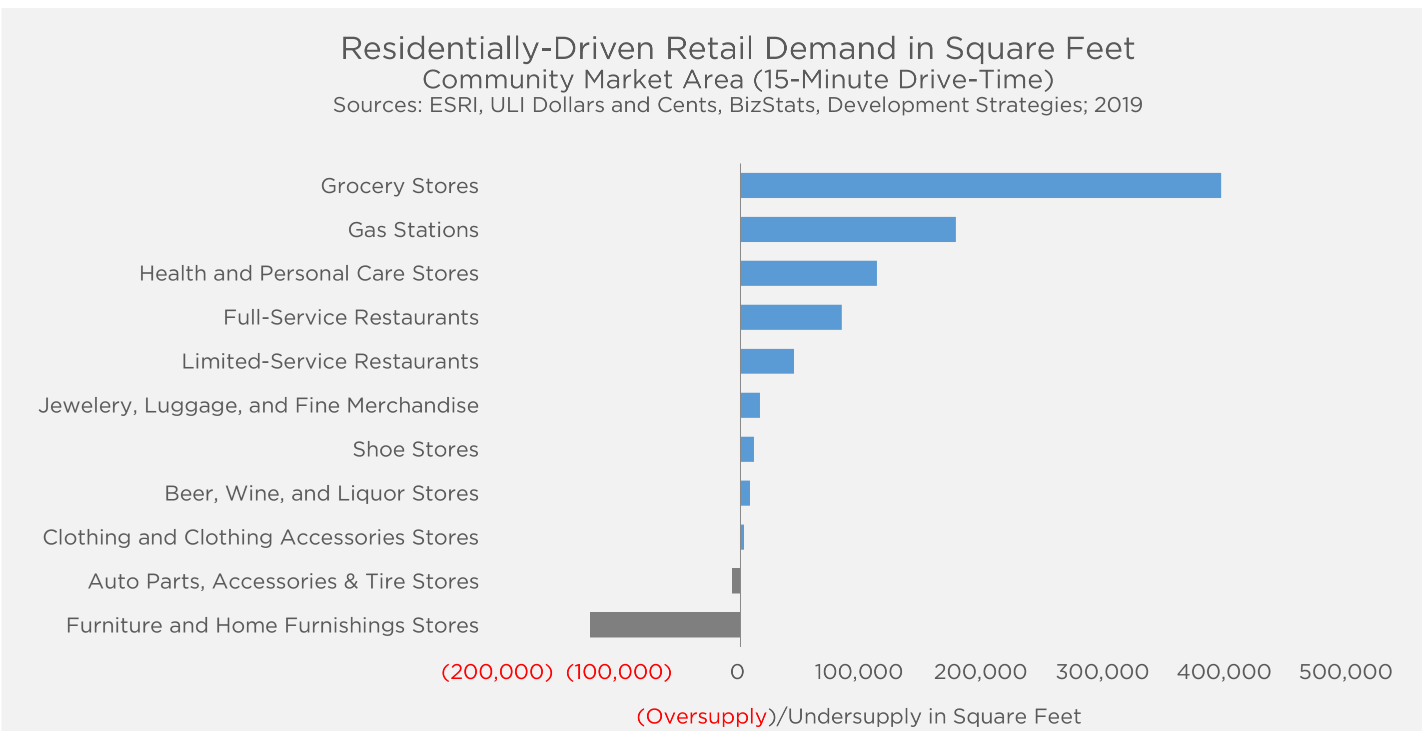
Demand gap analysis helps to determine whether an area is underserved or oversaturated. By comparing the types of goods that households in a market area are buying with the actual stores located in a market area, gap analysis can determine whether supply is effectively meeting demand.

As a small-scale, destination-oriented retail development, the District will serve a broad mix of consumers, including nearby residents and office workers, as well as employees, cadets, and visitors to the USAFA. Because of the iFly and the prospective restaurant, it will have a broader "community market area" (CMA) based on a 15-minute drive from the North Gate Boulevard and Interstate 25.

According to ESRI, most retail categories—including full-service and limited-service restaurants—are significantly "under-supplied" within the CMA. The data suggests that the larger surrounding community is highly underserved, and a small-scale retail development will likely be well utilized in this location.

Furthermore, additional retail opportunities exist due to competitive market opportunities that will come from new developments such as the District and continued population and household growth. More importantly, additional non-resident demand will be generated by visitors of the area's various parks and trails, as well as the USAFA Visitor Center, which is expected to draw roughly 800,000 visitors annually.

Given these demand figures and recent supply trends, we conclude there is sufficient support for new retail development in this location and there will be little to no delay in developing the roughly 21,000 square feet of retail, restaurant, and gift shop space currently proposed within the District. Under the current schedule this indicates completion and stabilization of the space by late 2021.



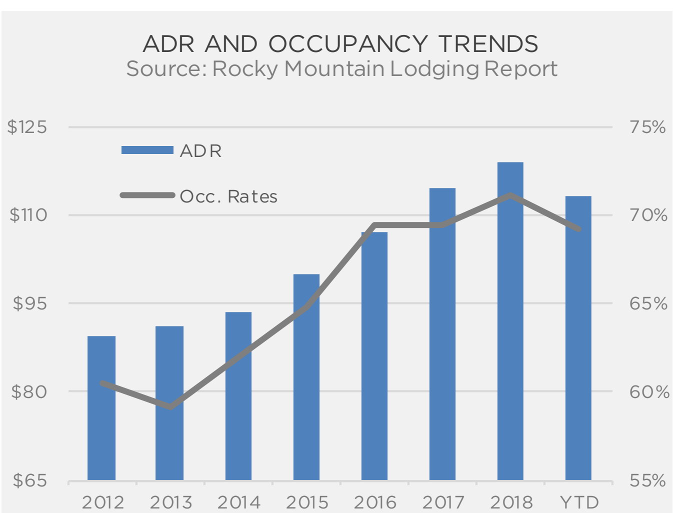
# HOTEL

The District is also slated to include the development of a full-service hotel containing 375 rooms. While the specific Hilton corporate brand has not yet been selected, it is being positioned as an upper upscale property with a wide range of services and amenities, including a restaurant and lounge, rooftop bar, a café, 28,000 square feet of meeting space, and outdoor pool and sun deck, an indoor whirlpool, a fitness center, a business center, a gift shop, a coffee shop, and other vending areas. To confirm a market for the proposed hotel, the local and regional hotel market has been analyzed.

### Market Overview

According to the region's marketing organization, Visit Colorado Springs, there are roughly 14,500 hotel rooms within the Colorado Springs/Pikes Peak region, which accommodate more than 5.2 million overnight stays. Rising demand factors such as increased employment growth and renewed visitor activity has improved development prospects for hotels throughout the state and region.

According to statistics provided by the Rocky Mountain Lodging Report, the annual average occupancy rate for all hotels in the Colorado Springs market was 71.1 percent in 2018, an increase of 2.4 percent from 2017. Regional average daily rates (ADR) and revenue per available room (RevPAR) were also up to nearly $119 and more than $84 per room, respectively, both 20-year highs. Additionally, the ADR for upscale hotel chains was $176, roughly 48 percent higher than the region's average. These rates are also up roughly four percent from the previous year, indicating increased strength in the upscale market.

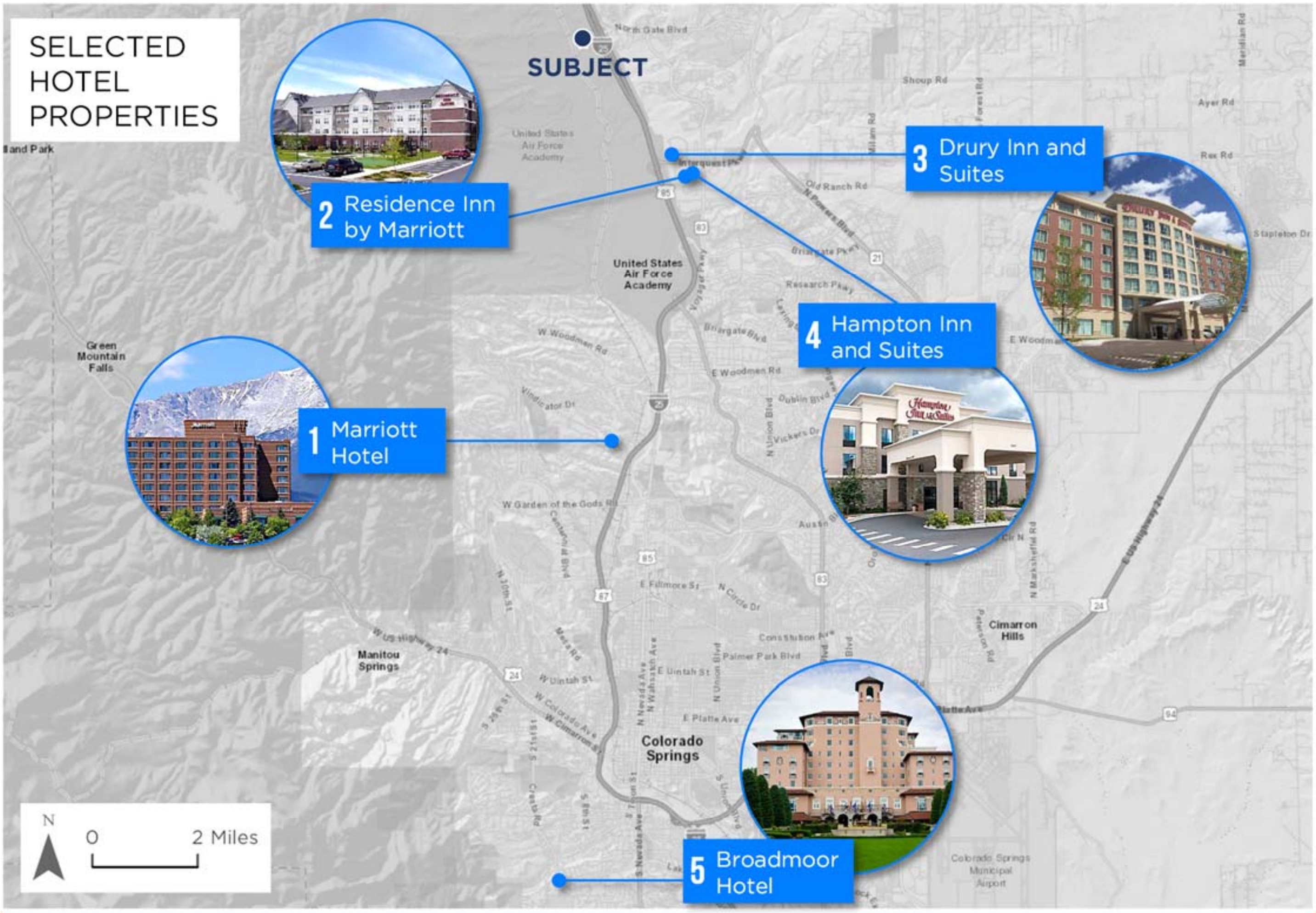



The growth in daily rates and occupancy has, however, slowed during the past six months, with small declines in year-to-date figures due in part to seasonal fluctuations and a slowdown in the overall economy. This is also partially due to a recent increase in new supply. After years of limited hotel development, more than 500 rooms were added during the past year, with an additional 347 rooms expected to be completed this year and an additional 1,100 rooms completed by 2021 according to Visit Colorado Springs. Combined, these developments represent a roughly 13 percent increase in total regional supply. While many of these projects are still in planning stages, an additional six hotel projects totaling 691 rooms are currently under construction.

Very little existing, new, or proposed supply is full-service, upper upscale hotel brands, meaning those that provide higher levels of finishes, furnishings, and services than other upscale hotel chains, but are not luxury. Instead, nearly all of the new supply has been more select or limited-service hotels at midscale to upscale levels. This includes brands such as Hampton Inn, Home2 Suites, and Hilton Garden Inn. A Hyatt Place and Marriott SpringHill Suites hotels are in the proposal stages for development in Downtown.

### Competitive Supply

To establish prospective rates and the District's competitive market position, we have surveyed five competitive hotel properties. Two of the hotel properties—Drury Inn and Hampton Inn—are classified as upper midscale, while the Marriott and Residence Inn brands are upper upscale and upscale, respectively. We have also considered competition from the luxury market, which is dominated by The Broadmoor, a five-star destination resort. While the proposed full-service hotel as currently conceived will not compete directly with The Broadmoor, it provides relevant context and a clear assessment ceiling for revenue projections. Information regarding these five hotel properties is provided on the following page.




| | Hotel | Year Built | Class | Number of Rooms | Typical Rate |
|---|---|---|---|---|---|
| 1 | Marriott Hotel | 1988 | Upper Upscale | 309 | $189 |
| 2 | Residence Inn by Marriott Colorado Springs North/Air Force Academy | 2002 | Upscale | 113 | $179 – 1BR Suite<br>$269 – 2BR Suite |
| 3 | Drury Inn and Suites | 2014 | Upper Midscale | 180 | $159 |
| 4 | Hampton Inn and Suites | 2005 | Upper Midscale | 75 | $149 |
| 5 | Broadmoor Hotel | 1918 | Luxury | 779 | $450 |

Source: CoStar, Expedia

### Competitive Market Position

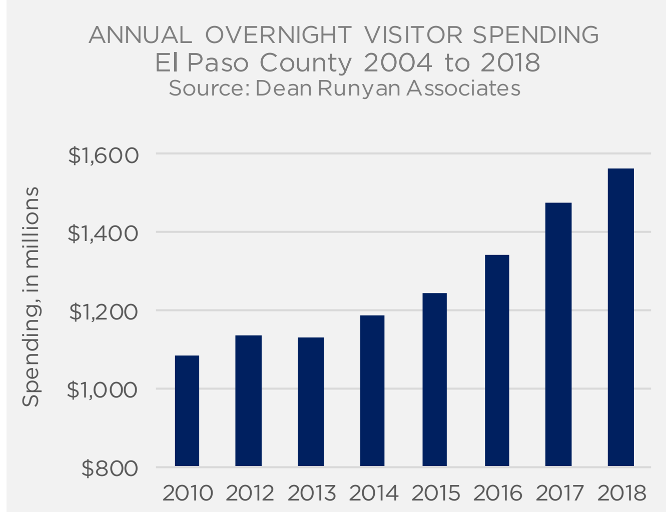
Current asking rates for these five hotels range considerably from as low as $149 for the Hampton Inn to $450 for The Broadmoor. The best indicator for upper upscale rates in the subject's market area is the Marriott, which has current average single-room asking rates of $189 per night, while the Drury Inn and Suites is a better indicator of rates for the upper midscale rates at $159 per night. ADR figures for these hotels would, however, be lower, as August rates are generally about 10 to 15 percent more than annual ADR figures.

Though not included in our direct survey, other upper upscale hotels within the Pikes Peak region include the Dolce Hotel and Resort at Cheyenne Mountain—built in 1985—and Wyndham's Grand Mining Exchange hotel in downtown, which opened in 2012. Current typical asking rates for these properties range from roughly $180 to $200 per night, respectively.

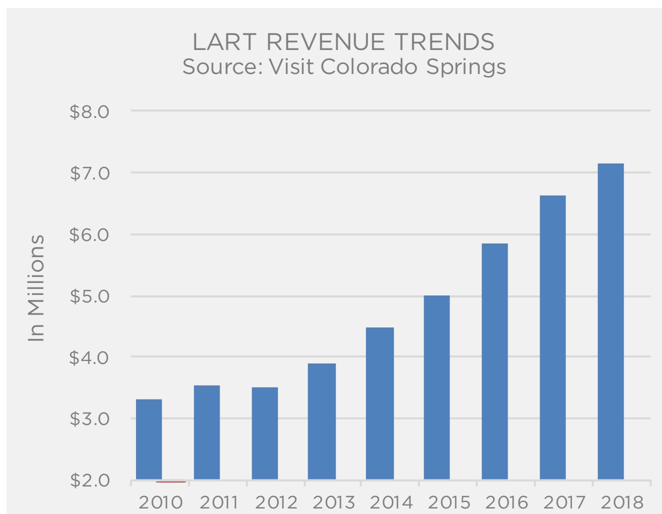
While these rates provide a good indicator of potential hotel performance, it is likely that a new upper-upscale property in this location would outperform its competitive set and achieve a higher daily rate due to its superior location west of the interstate, proximity and affiliation with the Air Force Academy, new construction, and anticipated superior quality. Given this and the assumption that the surrounding District is developed as currently proposed, a baseline ADR of roughly $200 is achievable, with an average annual occupancy rate of around 75 percent, indicating RevPAR of roughly $150.

### Demand

Given recent and expected supply additions, increased demand is necessary so that the market does not become oversaturated. One of the best indicators of demand trends is annual overnight visitor spending, which is currently on the rise in Colorado Springs. Based on a tourism report from Dean Runyan Associates, a market and economic research firm, annual overnight visitor spending in El Paso County increased from about $1.08 billion to $1.57 billion from 2010 to 2018, or roughly 44 percent.




Revenue growth provided through Colorado Springs' Lodgers and Automobile Rental Tax (LART), which collects two percent of all hotel revenues, mirrors these trends and also provides strong evidence of continued growth in demand. Since 2010, LART revenues have increased 123 percent from an annual figure of roughly $3.3 million to $7.1 million in 2018.




While these trends clearly indicate rising demand for hotel rooms in the region, we have also calculated the subject's penetration rate to confirm there is sufficient support for new rooms within the District. The penetration rate is the ratio of a particular property's actual room nights captured versus its fair share. Fair share is the number of the property's rooms relative to the number of rooms in the market. With roughly 14,500 hotel rooms in the Colorado Springs/Pikes Peak region, the District has a fair share ratio of 2.55 percent (375 ÷ 14,500). This figure is then applied to total market demand to measure its required room nights relative to its fair share of room nights.

According to Visit Colorado Springs, the region attracts roughly 23.1 million visitors annually, supporting over 3.7 million room nights booked throughout the region. At our concluded average annual occupancy rate of 75 percent, the subject property will need to generate 102,656 room nights annually, indicating a required fair share of 2.8 percent (102,656 ÷ 3.7 million), and penetration rate of 107 percent (2.8% ÷ 2.59%). These calculations are summarized in the following table.

| Demand Calculations | |
|---|---|
| Existing Supply | Rooms |
| USAFA Visitor's Center Hotel | 375 |
| Colorado Springs Market | 14,500 |
| Fair Share of Supply | 2.59% |
| Demand | Overnight Stays |
| USAFA Visitor's Center Hotel | 95,813 |
| Colorado Springs Market | 3,757,675 |
| Fair Share of Demand | 2.55% |
| **Overall Penetration Rate** | **99%** |

A penetration rate above 100 percent indicates that a hotel must capture more than its fair share of existing hotel demand, which is typical for better quality brand-name hotels. This rate indicates that the District will need to capture slightly above its fair share. Given the continued growth in demand throughout the market, as well as the District's enhanced market position and association with one of the region's primary economic and visitor generators—the Air Force Academy—this rate is acceptable.

### Development Phasing

Based on the preceding analysis, there is sufficient support for full-service hotel development in the District and there should be little to no market-based delay in developing the property as currently proposed. Assuming development details are finalized within the next year, we assume completion of the proposed hotel development by late 2021.

# MARKET CONCLUSIONS & PHASING

## Market Conclusions

The proposed developments within the District will be well supported due to strong market and economic conditions in the Colorado Springs region. Given the strong growth in overnight visitors, as well as the lack of new upper upscale hotel supply, the proposed hotel component should be successful, though the degree of success will be dependent upon the quality of the finished product and the operating brand.

The District is also well-suited for new Class A office buildings despite a sluggish, albeit significantly improved, local office market. It has a strong competitive advantage over other potential office sites because of its proximity to corporate employment, the USAFA, restaurants and retail, and the interstate. On the other hand, future demand for new Class A office remains fairly limited, so speculative development should be restrained. The developer has received strong interest from prospective tenants, with substantial pre-leasing necessary for a successful project.

Lastly, there are no significant concerns regarding the local retail market. The proposed retail component is well-conceived, is within close proximity to Interstate 25, and strong demand exists for new retail uses within the market area. Ultimately, however, its success will depend on the completion and quality of the office space, hotel, and USAFA Visitor Center. Assuming their timely and effective completion, new retail development will be very marketable and would attract high quality tenants given the District's enhanced visibility and product offerings.

Overall, there are no significant concerns regarding the market or marketability of the proposed uses.

## Phasing

Given currently strong market conditions, the development should be completed and leased within a fairly compact schedule. Construction on the bulk of the project is expected to begin in March 2020, with completion of the iFly in late 2020 and the first office building, hotels, and remaining retail space by late 2021. The second office building should be completed by late 2023, though construction could be expedited with sufficient pre-leasing. The project schedule is summarized in the following table.

Concluded Development Schedule

| Use | Total Units/SF | Est. Start | Est. Completion |
|---|---|---|---|
| Class A Office | 85,000 sf | Mar-20 | Sep-21 |
| Class A Office | 85,000 sf | Mar-22 | Sep-23 |
| Full-Service Hotel | 375 rooms | Mar-20 | Sep-21 |
| Retail and Restaurants | 20,400 sf | Mar-20 | Nov-20 |
| iFly Skydiving Simulator | 5,000 sf | Mar-20 | Nov-20 |
| Visitor Center | 33,000 sf | Mar-20 | Sep-21 |

# PUBLIC REVENUE PROJECTIONS

The development of the Visitor Center and other public infrastructure will be partially funded using available public revenues generated by the proposed developments.

Initial funding will be provided by the issuance of bonds that are repaid over a 30-year period—expiring in 2049—from a special district mill levy for property located within the District and specific ownership taxes of 6.0 percent of the actual property taxes collected as part of this special mill levy. Funding will also come from 25 years of Tax Increment Financing (TIF) and public improvement fees (PIF) on all taxable sales and lodging within the District.

Funding will also be available from the Regional Tourism Authority (RTA) and USAFA. While these sources have not been estimated in this report, the developer has provided an anticipated funding amount from the RTA of $13.25 million, which we have included in our projected revenue totals.

The available funding sources are summarized in the following table.

Public Funding Sources

| Source | Rate | |
|---|---|---|
| **Business Improvement District** | | |
| Special Mill Levy Tax | 50.00 | mills |
| Specific Ownership Taxes | 6.0 | percent |
| **Urban Renewal Authority (25-Year TIF)** | | |
| Property Tax Increment | 76.212 | mills |
| City Retail Sales Tax Increment | 1.75 | percent |
| City Hotel Sales Tax Increment | 1.75 | percent |
| County Retail Sales Tax | 0.875 | percent |
| County Hotel Sales Tax Increment | 0.875 | percent |
| **Public Improvement Fees (PIF)** | | |
| Retail Sales Tax | 3.0 | percent |
| Service Sales Tax | 3.0 | percent |
| Hotel Sales Tax | 3.0 | percent |
| Hotel Lodging Tax | 2.0 | percent |
| **Regional Tourism Authority (RTA)** | N/A | |
| **US Air Force Academy** | N/A | |

## PROPERTY ASSESSMENTS

The USAFA Visitor Center and various public improvements will be partially funded by a special tax levy placed on both real and personal/business property assessments, as well as the increased property taxes generated for the associated Tax Increment Financing (TIF) district.

Property assessments are based upon the local assessor's estimate of fair market value, which is the price a willing buyer would pay a willing seller. Commercial property is assessed at 29 percent of fair market value.

To project future revenues from these sources, prospective "as completed" assessments have been estimated for each District component. Because the Visitor Center will be owned by the USAFA, it will be exempt from property taxes.

### Office Portion

To project assessments for the completed office portion, we have analyzed the assessments of four existing properties. Current fair market values for these properties range from $116 to $140 per square foot, with an average of $133 per square foot and median of $137 per square foot. Relevant assessment information for these properties is summarized in the following table, with more detail provided in the appendix.

Comparable Assessments

Office Space

| Property | Address | Total FMV | Total FMV/SF |
|---|---|---|---|
| Epic One | 10807 New Allegiance Dr. | $20,720,917 | $137 |
| Briargate Busines | 8610 Explorer Dr. | $13,918,558 | $138 |
| Briargate II | 1755 Telstar Dr. | $21,740,018 | $140 |
| Patriot Park | 655 Space Center | $12,075,000 | $116 |

Source: El Paso County Assessor Office, 2019

While the selected office properties represent some of the most marketable non-medical Class A office properties in the Colorado Springs market, none were built after 2008. As the newest Class A property on the market, the subject will have a superior market position and is likely to be assessed on the high end or above the range of these properties. However, age and condition are not the only considerations, as Epic One and Patriot Park—the two newest properties in our survey—have assessments that fall below Brairgate II, which was built in 1987.

Based on these considerations, we project a prospective assessor's fair market value of $140 per square foot, indicating a fair market value of $11,900,000 per building. This indicates an assessment of $3,451,000 per building, with partial assessments occurring in 2021, 2022, and 2023, and the first full year of assessments occurring in 2024.

### Retail Portion

We have analyzed the assessments of various types of retail properties to project fair market values for the retail space. This includes three inline retail centers and three stand-alone restaurants. We have also included the assessment of the only iFly currently in Colorado, which is in Douglas County.

The current fair market values for the selected inline retail buildings range from $163 to $293 per square foot, with an average of $208 per square foot and median of $189, while the stand alone restaurants have fair market values of $278 to $311 per square foot, with an average of $297 per square foot and median of $301 per square foot. The iFly in Douglass County has a total fair market value of $453 per square foot, of which $262 per square foot is the business property value. Relevant assessment information for these properties is summarized in the following table.

Comparable Assessments

Retail

| Property | Type | Total FMV | Total FMV/SF |
|---|---|---|---|
| Polaris Pointe | Inline Retail | $2,495,427 | $293 |
| Northgate Village | Inline Retail | $2,043,620 | $203 |
| Interquest Marketplace | Inline Retail | $2,026,446 | $162 |
| Bourbon Brothers | Stand alone Restaurant | $2,236,084 | $278 |
| C.B. & Potts | Stand alone Restaurant | $2,562,421 | $301 |
| Mod Pizza | Stand alone Restaurant | $1,293,441 | $311 |
| iFly | Skydiving Simulator | $1,850,081 | $453 |

Source: El Paso and Douglas County Assessor Offices, 2019

Because the range in values for retail and restaurants is highly dependent on the quality of the tenant or chain that occupies the building, roughly equal emphasis has been placed on the comparable assessments to estimate the assessor's fair market value. Therefore, we project prospective fair market values of $210 per square foot for the proposed inline retail, $300 per square foot for the stand alone restaurants, and $450 per square foot for the iFly.

### Hotel Portion

We have analyzed the assessments of several hotels to project the assessor's fair market value for the hotel. The current total fair market values for the selected hotels ranges from about $61,000 to $130,000 per room, with an, average of roughly $84,000 per room and median of nearly $72,000 per room. Relevant assessment information for these properties is provided in the following table.

Comparable Assessments

Hotel Properties

| Property | Address | Total Market Value | Total MV/Room |
|---|---|---|---|
| Drury Inn & Suites | 1170 Interquest Pkwy | $11,080,220 | $61,557 |
| Residence Inn | 9805 Federal Dr. | $7,360,468 | $65,137 |
| Marriott Hotel | 5580 Tech Center Dr. | $24,348,989 | $78,545 |
| Broadmoor Hotel | 1 Lake Ave. | $101,272,584 | $130,003 |

Source: El Paso County Assessors Office, 2019

The Broadmoor Hotel—one of the region's premiere full-service hotels—has the highest fair market value and represents a clear ceiling for any new hotel development within the District, while the Marriott provides a likely floor due to its older age and inferior condition. We have projected a fair market value that places roughly equal emphasis on these two hotels, indicating a projected fair market value estimate of $100,000 per room upon its completion.

### Summary of Property Assessment Projections

We have summarized our projections for the assessor's fair market values for the District in the table below. It indicates that at total completion, the proposed developments will have a total fair market value of about $68.59 million. However, we project that construction will not be full completed until late 2023, indicating it will not be until 2024 when the District realizes all of its prospective property tax revenues.

Prospective "As Completed" Fair Market Values

| Use | Gross Square Footage | Value per SF/Room | Fair Market Value |
|---|---|---|---|
| Office Space | 170,000 sf | $140 | $23,800,000 |
| Restaurant | 8,400 sf | $300 | $2,520,000 |
| Inline Retail | 12,000 sf | $210 | $2,520,000 |
| iFly | 5,000 sf | $450 | $2,250,000 |
| Full-Service Hotel | 375 rooms | $100,000 | $37,500,000 |
| Total | | | $68,590,000 |

### Projected Assessment Growth

These projections are prospective as of completion of each component, but future assessment increases are expected due to the growth of the market. Since 2015, total commercial assessments in El Paso have increased 14.6 percent, or 3.7 percent annually. While some of this increase in assessment is due to new construction, the assessed values of some of the comparable commercial properties in our survey increased more than ten percent between 2018 and 2019. These increases provide strong support for future assessment growth, but it is highly unlikely that this type of assessment growth will sustain itself for the next 30 years. Therefore, for purposes of this study, we have conservatively included a biennial increase of 2.0 percent that take effect after completion of each development.

## SALES TAX PROJECTIONS

Bonds will also be repaid via increases in sales taxes generated by the iFly, inline retail tenants, the restaurant, and the Visitor Center gift shop. As of the date of this report, there are two executed leases—the iFly and Jersey Mike's Subs. The remaining interest is with a variety of full- and limited-service restaurants, convenience stores, banks, and coffee shops, including a Starbucks. Because the exact tenant mix remains uncertain, an assumed tenant mix has been created based on the list of working leases, LOI's, and likely prospective tenants.

### Jersey Mike's Subs

Jersey Mike's Subs will likely occupy 1,700 square feet based on the draft lease. An industry source, Quick Service Restaurants (QSR), published nationwide average sales per store performance of $726,000 for Jersey Mike's Sub locations, indicating an average sale per square foot of $427 per square foot. We project prospective first year annual sales of $425 per square foot for a Jersey Mike's Subs.

### Full-Service Restaurants

Based on the prospective tenant list, an additional 13,400 square feet has been estimated for full-service restaurants, which is likely to include a steakhouse, pizza restaurant, national chain restaurant, and/or brew pub. Sales estimates were established using store-level performance data and typical building areas for various national restaurant chains, including multiple steakhouses, pizza chains, and brew pub operators. Based on sales figures from these chains, we have projected prospective first year taxable sales averaging $600 per square foot for the full-service restaurant tenants.

### Limited-Service Restaurants

An additional 3,300 square feet is estimated to be occupied by limited-service restaurants and coffee shops due to the prominence of this retail category in the prospective lease list. An estimated $450 per square foot has been applied to the remaining building area based on sales per store information from QSR and typical sizes of nearby limited-service restaurants.

### Non-Retail Services

A total of 3,000 square feet, or nearly 14 percent of the inline retail space, will likely be occupied by a mix of non-retail services such as a bank, fitness center, health care provider, and/or a salon or other personal care service. This is based on the developer's prospective tenant list, but also strongly considers the breakdown of retail versus non-retail services at competitive retail properties.

While these tenants often generate considerable annual revenue, they provide little to no taxable sales. For this reason, we project sales tax revenue of $10 per square foot, which is supported by proprietary information on sales generated by these users.

The iFly is also unlikely to have significant taxable retail sales and we have also projected $10 per square foot for the skydiving simulator.

### Visitor Center Gift Shop

Additional sales tax revenue will be generated within the Visitor Center gift shop, which will contain 6,000 square feet of space. According to the Museum Store Association (MSA), an industry organization, the average museum gift shop has roughly $215,000 in annual sales, with an average store size of 1,000 square feet, indicating average sales of $215 per square foot. The MSA also indicates that an average of roughly 20 percent of museum visitors make purchases at gift shops, with average purchases ranging from as little as $2 to as much as $20 depending on the type of museum.

The existing USAFA Visitor Center has attracted up to 800,000 visitors annually, though that number was reduced in recent years due to tighter security restrictions following the 9/11 terrorist attacks. With the relocation of the Visitor Center to a prominent location outside the academy's formal gates, the USAFA expects visitor numbers to increase to pre-9/11 levels.

Assuming the Visitor Center will draw 800,000 visitors, a 20 percent sales capture rate, and an average purchase of $10, we project the gift shop will generate roughly $1.6 million in annual sales [(800,000 × 20%) × $10 per purchase], or $267 per square foot. Based on these calculations and the average museum gift shop figures of $215 per square foot provided by the MSA, we project sales tax revenue of $250 per square foot.

### Total Sales

Baseline retail sales are projected to average roughly $358 per square foot, or $11,227,500, as shown in the table below. Similar to the assessments, these sales will increase over time. To account for inflation and future sales growth, we have projected these sales will increase at an annual rate of 2.0 percent during the life of the 30-year payoff period.

Projected Annual Retail Sales

| Use/Tenant | Size | Annual Sales/SF | Total Annual Sales |
|---|---|---|---|
| Jersey Mike's | 1,700 sf | $425 | $722,500 |
| Limited-Service Restaurant | 3,300 sf | $450 | $1,485,000 |
| Full-Service Restaurant | 12,400 sf | $600 | $7,440,000 |
| Non-Retail Services | 8,000 sf | $10 | $80,000 |
| Visitor Center Gift Shop | 6,000 sf | $250 | $1,500,000 |
| Total/Average | 31,400 sf | $358 | $11,227,500 |

## SERVICE SALES REVENUES

The District has also included a three percent PIF on all non-retail service sales within the development. Most of those will be generated by the iFly, but we anticipate an additional 3,000 square feet of retail space will be occupied by other non-retail services. Given the current tenant interest list and compatibility with surrounding uses, a bank is a likely tenant for this space, but it would generate little or no actual service sales. An iFly, on the other hand, reportedly does annual sales of roughly $2.5 million, indicating non-retail service sales of about $500 per square foot. Overall, we project $2.5 million in base year services sales for the District.

## LODGING AND HOTEL SALES

Additional public revenue will be generated through various sale and lodging taxes associated with the hotel. This includes full capture of the two percent LART as part of the TIF and a three percent PIF on all hotel sales, which includes rooms, food and beverage, and general sales. Based on our concluded RevPAR figure of $150 (see page 20), the hotel will have projected annual room sales of $20,531,250.

Food and beverage revenue is highly dependent on the brand and scale of the hotel and range widely from about 15 to 45 percent of total hotel revenue, while CBRE reports this figure to be roughly 30 percent. As a percentage of total room revenue, these percentages range from 45 to 90 percent, though most range from about 45 to 55 percent of total room revenue.

Given the subject's expected quality, increased amenity package, and location outside of a downtown environment—downtowns typically offer hotel guests greater dining and entertainment options—base year food and beverage is likely to equal 50 percent of total room revenue, or $10,265,625. This figure is also roughly 33 percent of total revenue, further indicating its reasonableness. Other general sales or miscellaneous income of 2.0 percent has also been included based on the

Our baseline hotel revenue is summarized in the following table. operations of other full-service hotels. Similar to the growth projection for retail sales, these projections have been increased at a rate of two percent annually. This rate of growth is well below the average annual ADR growth of 4.9 percent for regional hotels since 2012, indicating its reasonableness.

Hotel Sales Projections

| | Revenue Assumptions | Total Revenue |
|---|---|---|
| Lodging and Rooms | 375 rooms @ $150 RevPar | $20,531,250 |
| Food and Beverage | 50% of total room revenue | $10,265,625 |
| Other Sales | 3% of total room revenue | $410,625 |
| Annual Revenue | | $31,207,500 |

## SUMMARY OF REVENUES

Based on our projections of the anticipated timeline of development, future property assessments, retail and service sales, and hotel and lodging sales, the proposed developments are projected to generate more than $164.8 million in public revenues over 30 years through 2049. While the TIF will expire in 2043, there is no expiration date on the BID. Including the nearly $13.3 million in estimated revenues from the RTA results in total revenues of nearly $178.1 million.

These revenues are summarized by source in the following table, with complete information available in the appendix.

Summary of Projected Revenues

| Source | Total Revenues[1] |
|---|---|
| Property Tax Increment @ 76.212 mills | $ 36,413,206 |
| BID Mill Levy @ 50 mills | $ 31,381,220 |
| S.O. Taxes @ 6.0% | $ 1,769,596 |
| City Retail Sales Tax Increment @ 1.75% | $ 5,141,651 |
| City Hotel Sales Tax Increment @ 1.75% | $ 15,036,667 |
| County Retail Sales Tax Increment @ 0.875% | $ 2,570,826 |
| County Hotel Sales Tax Increment @ 0.875% | $ 7,518,333 |
| PIF Retail Sales @ 3.0% | $ 11,933,565 |
| PIF Service Sales @ 3.0% | $ 2,863,479 |
| PIF Hotel Sales @ 3.0% | $ 34,903,769 |
| PIF Lodging at 2.0% | $ 15,308,671 |
| Regional Tourism Authority (RTA) | $ 13,255,000 |
| Total | $ 178,095,983 |

[1] All projected revenues adjusted downward 2% for collection fees

# APPENDIX

- DETAILED COMPARABLE ASSESSMENT TABLES
- FULL REVENUE PROJECTION TABLES
- PHOTOGRAPHS OF DEVELOPMENT SITE & NEIGHBORING PROPERTIES
- CREDENTIALS

# COMPARABLE ASSESSMENT TABLES

## Comparable Assessments

Office Space

| Property | Address | Year Built | Size (SF) | 2019 Real Property MV | Real MV/SF | 2019 Business Property MV | Business Property MV/SF | Total FMV | Total FMV/SF |
|---|---|---|---|---|---|---|---|---|---|
| Epic One | 10807 New Allegiance Dr. | 2008 | 151,287 | $19,367,288 | $128 | $1,353,629 | $9 | $20,720,917 | $137 |
| Briargate Business Campus | 8610 Explorer Dr. | 2000 | 101,194 | $13,113,934 | $130 | $804,624 | $8 | $13,918,558 | $138 |
| Briargate II | 1755 Telstar Dr. | 1987 | 155,815 | $20,863,078 | $134 | $876,940 | $6 | $21,740,018 | $140 |
| Patriot Park | 655 Space Center | 2008 | 103,970 | $12,075,000 | $116 | $0 | $0 | $12,075,000 | $116 |

Source: El Paso County Assessor Office, 2019

## Comparable Assessments

Retail

| Property | Address | Type | Year Built | Building Size (SF) | 2019 Real Property MV | Real MV/SF | Business Property MV | Business Property MV/SF | Total FMV | Total FMV/SF |
|---|---|---|---|---|---|---|---|---|---|---|
| Polaris Pointe | 122 Tracker Dr. | Inline Retail | 2013 | 8,512 | $2,122,680 | $249 | $372,747 | $44 | $2,495,427 | $293 |
| Northgate Village | 12229 Voyager Pkwy. | Inline Retail | 2007 | 10,072 | $1,950,000 | $194 | $93,620 | $9 | $2,043,620 | $203 |
| Interquest Marketplace | 1250 Interquest Pkwy | Inline Retail | 2015 | 12,501 | $1,780,942 | $142 | $245,504 | $20 | $2,026,446 | $162 |
| Bourbon Brothers | 13021 Bass Pro Dr | Standalone Restaurant | 2013 | 8,040 | $1,945,420 | $242 | $290,664 | $36 | $2,236,084 | $278 |
| C.B. & Potts | 261 Kaycee Case Pl | Standalone Restaurant | 2014 | 8,503 | $2,000,000 | $235 | $562,421 | $66 | $2,562,421 | $301 |
| Mod Pizza | 13461-13469 Bass Pro Dr | Standalone Restaurant | 2016 | 4,164 | $1,091,386 | $262 | $202,055 | $49 | $1,293,441 | $311 |
| iFly | 9230 Park Meadows Dr. | Skydiving Simulator | 2006 | 4,081 | $782,539 | $192 | $1,067,542 | $262 | $1,850,081 | $453 |

Source: El Paso and Douglas County Assessor Offices, 2019

## Comparable Assessments

Hotel Properties

| Property | Address | Year Built | Rooms | 2019 Real Property MV | Real MV/Room | Business Property MV | Property MV/Room | Total Market Value | Total MV/Room |
|---|---|---|---|---|---|---|---|---|---|
| Drury Inn & Suites | 1170 Interquest Pkwy | 2014 | 180 | $10,000,000 | $55,556 | $1,080,220 | $6,001 | $11,080,220 | $61,557 |
| Residence Inn | 9805 Federal Dr. | 2002 | 113 | $6,856,536 | $60,677 | $503,932 | $4,460 | $7,360,468 | $65,137 |
| Marriott Hotel | 5580 Tech Center Dr. | 1988 | 310 | $22,000,000 | $70,968 | $2,348,989 | $7,577 | $24,348,989 | $78,545 |
| Broadmoor Hotel | 1 Lake Ave. | 1918 | 779 | $81,544,084 | $104,678 | $19,728,500 | $25,325 | $101,272,584 | $130,003 |

Source: El Paso County Assessors Office, 2019

# REVENUE PROJECTION TABLES

## Property Tax Revenue Projections

| Year | Total Asssessed Values[1] | Base Valuation | Incremental Value | TIF Mill Levy | Special Mill Levy | Property Tax Increment[2] | BID Special Mill Levy[2] | S.O. Taxes[2] @ 6.0% of BID |
|---|---|---|---|---|---|---|---|---|
| 2019 | $0 | $0 | $0 | 76.212 | 50.0 | $0 | $0 | $0 |
| 2020 | $108,750 | $0 | $108,750 | 76.212 | 50.0 | $8,122 | $5,329 | $313 |
| 2021 | $4,599,400 | $0 | $4,599,400 | 76.212 | 50.0 | $343,519 | $225,371 | $13,252 |
| 2022 | $16,440,100 | $0 | $16,440,100 | 76.212 | 50.0 | $1,227,874 | $805,565 | $47,367 |
| 2023 | $17,631,652 | $0 | $17,631,652 | 76.212 | 50.0 | $1,316,869 | $863,951 | $50,800 |
| 2024 | $20,288,922 | $0 | $20,288,922 | 76.212 | 50.0 | $1,515,334 | $994,157 | $58,456 |
| 2025 | $20,694,700 | $0 | $20,694,700 | 76.212 | 50.0 | $1,545,641 | $1,014,040 | $59,626 |
| 2026 | $20,694,700 | $0 | $20,694,700 | 76.212 | 50.0 | $1,545,641 | $1,014,040 | $59,626 |
| 2027 | $21,108,594 | $0 | $21,108,594 | 76.212 | 50.0 | $1,576,554 | $1,034,321 | $60,818 |
| 2028 | $21,108,594 | $0 | $21,108,594 | 76.212 | 50.0 | $1,576,554 | $1,034,321 | $60,818 |
| 2029 | $21,530,766 | $0 | $21,530,766 | 76.212 | 50.0 | $1,608,085 | $1,055,008 | $62,034 |
| 2030 | $21,530,766 | $0 | $21,530,766 | 76.212 | 50.0 | $1,608,085 | $1,055,008 | $62,034 |
| 2031 | $21,961,382 | $0 | $21,961,382 | 76.212 | 50.0 | $1,640,246 | $1,076,108 | $63,275 |
| 2032 | $21,961,382 | $0 | $21,961,382 | 76.212 | 50.0 | $1,640,246 | $1,076,108 | $63,275 |
| 2033 | $22,400,609 | $0 | $22,400,609 | 76.212 | 50.0 | $1,673,051 | $1,097,630 | $64,541 |
| 2034 | $22,400,609 | $0 | $22,400,609 | 76.212 | 50.0 | $1,673,051 | $1,097,630 | $64,541 |
| 2035 | $22,848,621 | $0 | $22,848,621 | 76.212 | 50.0 | $1,706,512 | $1,119,582 | $65,831 |
| 2036 | $22,848,621 | $0 | $22,848,621 | 76.212 | 50.0 | $1,706,512 | $1,119,582 | $65,831 |
| 2037 | $23,305,594 | $0 | $23,305,594 | 76.212 | 50.0 | $1,740,643 | $1,141,974 | $67,148 |
| 2038 | $23,305,594 | $0 | $23,305,594 | 76.212 | 50.0 | $1,740,643 | $1,141,974 | $67,148 |
| 2039 | $23,771,706 | $0 | $23,771,706 | 76.212 | 50.0 | $1,775,455 | $1,164,814 | $68,491 |
| 2040 | $23,771,706 | $0 | $23,771,706 | 76.212 | 50.0 | $1,775,455 | $1,164,814 | $68,491 |
| 2041 | $24,247,140 | $0 | $24,247,140 | 76.212 | 50.0 | $1,810,965 | $1,188,110 | $69,861 |
| 2042 | $24,247,140 | $0 | $24,247,140 | 76.212 | 50.0 | $1,810,965 | $1,188,110 | $69,861 |
| 2043 | $24,732,083 | $0 | $24,732,083 | 76.212 | 50.0 | $1,847,184 | $1,211,872 | $71,258 |
| 2044 | $24,732,083 | $0 | $24,732,083 | 0.000 | 50.0 | $0 | $1,211,872 | $71,258 |
| 2045 | $25,226,724 | $0 | $25,226,724 | 0.000 | 50.0 | $0 | $1,236,109 | $72,683 |
| 2046 | $25,226,724 | $0 | $25,226,724 | 0.000 | 50.0 | $0 | $1,236,109 | $72,683 |
| 2047 | $25,731,259 | $0 | $25,731,259 | 0.000 | 50.0 | $0 | $1,260,832 | $74,137 |
| 2048 | $25,731,259 | $0 | $25,731,259 | 0.000 | 50.0 | $0 | $1,260,832 | $74,137 |
| 2049 | $26,245,884 | $0 | $26,245,884 | 0.000 | 50.0 | $0 | $1,286,048 | $88,223 |
| **Total Revenue** | | | | | | **$36,413,206** | **$30,095,172** | **$1,769,596** |

[1] Assessments increased 2% biennially after project completion

[2] All tax revenues adjusted downward 2% for assessor collection fees

## Retail and Service Sales Revenue Projections

| Year | Projected Gross Retail Sales[1] | Overall Retail Occupancy | Taxable Retail Sales | Base Valuation | Increment | Projected Service Sales[1] | City Sales Tax Increment[2] @ 1.75% | County Sales Tax Increment[2] @ 0.875% | PIF Retail Sales[2] @ 3.0% | PIF Service Sales[2] @ 3.0% |
|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | $0 | 0% | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2020 | $0 | 0% | $0 | $0 | $0 | $416,667 | $0 | $0 | $0 | $12,250 |
| 2021 | $11,227,500 | 25% | $2,806,875 | $0 | $2,806,875 | $2,500,000 | $48,138 | $24,069 | $82,522 | $73,500 |
| 2022 | $11,452,050 | 95% | $10,879,448 | $0 | $10,879,448 | $2,550,000 | $186,583 | $93,291 | $319,856 | $74,970 |
| 2023 | $11,681,091 | 95% | $11,097,036 | $0 | $11,097,036 | $2,601,000 | $190,314 | $95,157 | $326,253 | $76,469 |
| 2024 | $11,914,713 | 95% | $11,318,977 | $0 | $11,318,977 | $2,653,020 | $194,120 | $97,060 | $332,778 | $77,999 |
| 2025 | $12,153,007 | 95% | $11,545,357 | $0 | $11,545,357 | $2,706,080 | $198,003 | $99,001 | $339,433 | $79,559 |
| 2026 | $12,396,067 | 95% | $11,776,264 | $0 | $11,776,264 | $2,760,202 | $201,963 | $100,981 | $346,222 | $81,150 |
| 2027 | $12,643,989 | 95% | $12,011,789 | $0 | $12,011,789 | $2,815,406 | $206,002 | $103,001 | $353,147 | $82,773 |
| 2028 | $12,896,868 | 95% | $12,252,025 | $0 | $12,252,025 | $2,871,714 | $210,122 | $105,061 | $360,210 | $84,428 |
| 2029 | $13,154,806 | 95% | $12,497,065 | $0 | $12,497,065 | $2,929,148 | $214,325 | $107,162 | $367,414 | $86,117 |
| 2030 | $13,417,902 | 95% | $12,747,007 | $0 | $12,747,007 | $2,987,731 | $218,611 | $109,306 | $374,762 | $87,839 |
| 2031 | $13,686,260 | 95% | $13,001,947 | $0 | $13,001,947 | $3,047,486 | $222,983 | $111,492 | $382,257 | $89,596 |
| 2032 | $13,959,985 | 95% | $13,261,986 | $0 | $13,261,986 | $3,108,436 | $227,443 | $113,722 | $389,902 | $91,388 |
| 2033 | $14,239,185 | 95% | $13,527,226 | $0 | $13,527,226 | $3,170,604 | $231,992 | $115,996 | $397,700 | $93,216 |
| 2034 | $14,523,968 | 95% | $13,797,770 | $0 | $13,797,770 | $3,234,017 | $236,632 | $118,316 | $405,654 | $95,080 |
| 2035 | $14,814,448 | 95% | $14,073,725 | $0 | $14,073,725 | $3,298,697 | $241,364 | $120,682 | $413,768 | $96,982 |
| 2036 | $15,110,737 | 95% | $14,355,200 | $0 | $14,355,200 | $3,364,671 | $246,192 | $123,096 | $422,043 | $98,921 |
| 2037 | $15,412,952 | 95% | $14,642,304 | $0 | $14,642,304 | $3,431,964 | $251,116 | $125,558 | $430,484 | $100,900 |
| 2038 | $15,721,211 | 95% | $14,935,150 | $0 | $14,935,150 | $3,500,604 | $256,138 | $128,069 | $439,093 | $102,918 |
| 2039 | $16,035,635 | 95% | $15,233,853 | $0 | $15,233,853 | $3,570,616 | $261,261 | $130,630 | $447,875 | $104,976 |
| 2040 | $16,356,347 | 95% | $15,538,530 | $0 | $15,538,530 | $3,642,028 | $266,486 | $133,243 | $456,833 | $107,076 |
| 2041 | $16,683,474 | 95% | $15,849,301 | $0 | $15,849,301 | $3,714,868 | $271,816 | $135,908 | $465,969 | $109,217 |
| 2042 | $17,017,144 | 95% | $16,166,287 | $0 | $16,166,287 | $3,789,166 | $277,252 | $138,626 | $475,289 | $111,401 |
| 2043 | $17,357,487 | 95% | $16,489,612 | $0 | $16,489,612 | $3,864,949 | $282,797 | $141,398 | $484,795 | $113,630 |
| 2044 | $17,704,636 | 95% | $16,819,405 | $0 | $16,819,405 | $3,942,248 | $0 | $0 | $494,490 | $115,902 |
| 2045 | $18,058,729 | 95% | $17,155,793 | $0 | $17,155,793 | $4,021,093 | $0 | $0 | $504,380 | $118,220 |
| 2046 | $18,419,904 | 95% | $17,498,909 | $0 | $17,498,909 | $4,101,515 | $0 | $0 | $514,468 | $120,585 |
| 2047 | $18,788,302 | 95% | $17,848,887 | $0 | $17,848,887 | $4,183,545 | $0 | $0 | $524,757 | $122,996 |
| 2048 | $19,164,068 | 95% | $18,205,865 | $0 | $18,205,865 | $4,267,216 | $0 | $0 | $535,252 | $125,456 |
| 2049 | $19,547,349 | 95% | $18,569,982 | $0 | $18,569,982 | $4,352,561 | $0 | $0 | $545,957 | $127,965 |
| **Total Revenue** | | | | | | | **$5,141,651** | **$2,570,826** | **$11,387,608** | **$2,735,514** |

[1] Annual 2% increase for inflation

[2] All revenues adjusted downward 2% for collection fees

## Hotel Sales Revenue Projections

| Year | Projected Hotel Room Sales[1] | Projected F&B and Other Sales[1] | Total Projected Hotel Sales | Base Valuation | Increment | City Sales Tax Increment[2] @ 1.75% | County Sales Tax Increment[2] @ 0.875% | PIF Hotel Sales[2] @ 3.0% | PIF Loding Sales[2] @ 2.0% |
|---|---|---|---|---|---|---|---|---|---|
| 2019 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2020 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2021 | $5,132,813 | $2,669,063 | $7,801,875 | $0 | $7,801,875 | $133,802 | $66,901 | $229,375 | $100,603 |
| 2022 | $20,941,875 | $10,889,775 | $31,831,650 | $0 | $31,831,650 | $545,913 | $272,956 | $935,851 | $410,461 |
| 2023 | $21,360,713 | $11,107,571 | $32,468,283 | $0 | $32,468,283 | $556,831 | $278,416 | $954,568 | $418,670 |
| 2024 | $21,787,927 | $11,329,722 | $33,117,649 | $0 | $33,117,649 | $567,968 | $283,984 | $973,659 | $427,043 |
| 2025 | $22,223,685 | $11,556,316 | $33,780,002 | $0 | $33,780,002 | $579,327 | $289,664 | $993,132 | $435,584 |
| 2026 | $22,668,159 | $11,787,443 | $34,455,602 | $0 | $34,455,602 | $590,914 | $295,457 | $1,012,995 | $444,296 |
| 2027 | $23,121,522 | $12,023,192 | $35,144,714 | $0 | $35,144,714 | $602,732 | $301,366 | $1,033,255 | $453,182 |
| 2028 | $23,583,953 | $12,263,655 | $35,847,608 | $0 | $35,847,608 | $614,786 | $307,393 | $1,053,920 | $462,245 |
| 2029 | $24,055,632 | $12,508,928 | $36,564,560 | $0 | $36,564,560 | $627,082 | $313,541 | $1,074,998 | $471,490 |
| 2030 | $24,536,744 | $12,759,107 | $37,295,851 | $0 | $37,295,851 | $639,624 | $319,812 | $1,096,498 | $480,920 |
| 2031 | $25,027,479 | $13,014,289 | $38,041,768 | $0 | $38,041,768 | $652,416 | $326,208 | $1,118,428 | $490,539 |
| 2032 | $25,528,029 | $13,274,575 | $38,802,604 | $0 | $38,802,604 | $665,465 | $332,732 | $1,140,797 | $500,349 |
| 2033 | $26,038,589 | $13,540,066 | $39,578,656 | $0 | $39,578,656 | $678,774 | $339,387 | $1,163,612 | $510,356 |
| 2034 | $26,559,361 | $13,810,868 | $40,370,229 | $0 | $40,370,229 | $692,349 | $346,175 | $1,186,885 | $520,563 |
| 2035 | $27,090,548 | $14,087,085 | $41,177,633 | $0 | $41,177,633 | $706,196 | $353,098 | $1,210,622 | $530,975 |
| 2036 | $27,632,359 | $14,368,827 | $42,001,186 | $0 | $42,001,186 | $720,320 | $360,160 | $1,234,835 | $541,594 |
| 2037 | $28,185,007 | $14,656,203 | $42,841,210 | $0 | $42,841,210 | $734,727 | $367,363 | $1,259,532 | $552,426 |
| 2038 | $28,748,707 | $14,949,327 | $43,698,034 | $0 | $43,698,034 | $749,421 | $374,711 | $1,284,722 | $563,475 |
| 2039 | $29,323,681 | $15,248,314 | $44,571,995 | $0 | $44,571,995 | $764,410 | $382,205 | $1,310,417 | $574,744 |
| 2040 | $29,910,154 | $15,553,280 | $45,463,435 | $0 | $45,463,435 | $779,698 | $389,849 | $1,336,625 | $586,239 |
| 2041 | $30,508,357 | $15,864,346 | $46,372,703 | $0 | $46,372,703 | $795,292 | $397,646 | $1,363,357 | $597,964 |
| 2042 | $31,118,525 | $16,181,633 | $47,300,157 | $0 | $47,300,157 | $811,198 | $405,599 | $1,390,625 | $609,923 |
| 2043 | $31,740,895 | $16,505,265 | $48,246,161 | $0 | $48,246,161 | $827,422 | $413,711 | $1,418,437 | $622,122 |
| 2044 | $32,375,713 | $16,835,371 | $49,211,084 | $0 | $49,211,084 | $0 | $0 | $1,446,806 | $634,564 |
| 2045 | $33,023,227 | $17,172,078 | $50,195,305 | $0 | $50,195,305 | $0 | $0 | $1,475,742 | $647,255 |
| 2046 | $33,683,692 | $17,515,520 | $51,199,212 | $0 | $51,199,212 | $0 | $0 | $1,505,257 | $660,200 |
| 2047 | $34,357,366 | $17,865,830 | $52,223,196 | $0 | $52,223,196 | $0 | $0 | $1,535,362 | $673,404 |
| 2048 | $35,044,513 | $18,223,147 | $53,267,660 | $0 | $53,267,660 | $0 | $0 | $1,566,069 | $686,872 |
| 2049 | $35,745,403 | $18,587,610 | $54,333,013 | $0 | $54,333,013 | $0 | $0 | $1,597,391 | $700,610 |
| **Total Revenue** | | | | | | **$15,036,667** | **$7,518,333** | **$34,903,769** | **$15,308,671** |

[1] Annual 2% increase for inflation

[2] All revenues adjusted downward 2% for collection fees

# PHOTOGRAPHS


View looking west from site


Existing Visitor Center


View of existing entrance gate to USAFA


New Santa Fe Regional Trail


View looking east of I-25 interchange


USAFA Cadet Chapel

# LARRY MARKS AIA AICP

Principal

EDUCATION

Master of Architecture
In Urban Design
University of Pennsylvania 1974

Master of City Planning
University of Pennsylvania 1974

Master of Architecture
Washington University
St. Louis, Missouri 1969

Bachelor of Architectural Science,
Washington University
St. Louis, Missouri 1967

REGISTRATIONS

American Institute of Certified Planners (AICP)

Architectural License
State of Missouri

PROFESSIONAL MEMBERSHIPS

American Institute of Architects (AIA)

American Planning Association

Congress for the New Urbanism

Former National Vice Chair
AIA Regional and
Urban Design Committee

National Trust for Historic Preservation

U.S. Green Building Council

GUEST LECTURER

School of Architecture
Washington University in St. Louis

## CAREER SUMMARY AND BACKGROUND

Mr. Marks is responsible for overseeing the firm's large-scale planning assignments that require special attention to issues associated with physical development. In this capacity, he directs Development Strategies' strategic land use planning, development programming and facility planning, and site selection work. He also oversees the firm's incentives studies (TIF, CID, TDD, NID).

To each assignment, Larry brings a passion for the revitalization and redevelopment of cities, both large and small. His extensive experience in working for both the public sector and private sector provides a special ability and perspective that allows him to serve as a bridge between the two sectors to facilitate unique and implementable quality urban development.

With over 40 years of experience in urban planning and design, Larry has worked on a wide range of projects that includes area and community revitalization plans; strategic development plans for medical centers and universities; site analysis and feasibility studies; retail district and corridor studies; transit–oriented development studies; and redevelopment plans involving blight analysis, tax increment financing, and related public incentives.

Prior to joining Development Strategies, Mr. Marks worked for Hellmuth, Obata and Kassabaum, Architects, St. Louis; David A. Crane and Partners, Architects, Philadelphia, Pennsylvania; and Kalsberger and Associates, Princeton, New Jersey. His experience at these firms included design, planning, and management responsibilities.

## EXPERIENCE

### Community/Downtown Redevelopment Plans

CORTEX Redevelopment Plan, St. Louis , MO; Ballpark Village, St. Louis, MO; Emanuel Hospital Neighborhood Revitalization Plan, Portland, OR; Downtown Revitalization Plan, Chicago Heights, IL; O'Fallon Retail Strategy, O'Fallon, MO.; Medical/Education District Plan, Jackson, MS; ; 18$^{th}$ & Vine Neighborhood Plan, Kansas City, MO; Meadows Shopping Center Redevelopment Plan, Indianapolis, IN; Northsude Regeneration Plan, St. Louis, MO; Botanical Heights Redevelopment Plan, St Louis, MO; Grand Center Redevelopment Plan, St Louis, MO; Justin Place Neighborhood Redevelopment Plan, Kansas City, MO; North Oakland Medical Center Neighborhood Plan, Detroit, MI; Ballwin Town Center Redevelopment Plan, Ballwin, MO; St Luke's Medical Center Neighborhood Revitalization Plan, Phoenix, AZ.

### Strategic Land Use Plans

University of Delaware Surplus Land Use Study, DE; US Highway 40 Corridor Hi-Tech Plan, St Louis, MO; Boys Town of Nebraska Surplus Land Use Study, Omaha, NE; Chesterfield Valley Master Plan and Development Guidelines, Chesterfield, MO; New Castle County Strategic Land Use Plan, DE; University of Missouri Research Park, Weldon Spring, MO; General Health Medical Campus Land Use Plan and Guidelines, Baton Rouge, LA: NorthPark Business Park Development Plan, St Louis, MO; Strategic Land Use Plan, Independence, MO; Mixed Use Strategic Land Use Plan, Des Moines, IA.

### TOD Plans

Master plans for five stations in Prince George's County for Washington DC Metro; station area plans for original MetroLink alignment; station area development opportunity updates for MetroLink stations; detailed development opportunity study for Forest Park Station.

### Incentives Analysis

Sales, revenue projections, and financial analysis for new and existing retail and mixed-use developments utilizing tax increment financing and other forms of development subsidies.

# STEVE SCHUMAN

Associate

EDUCATION

Master of Urban Planning and Real Estate Development
Saint Louis University 2006

Bachelor of Arts, Urban Affairs
Saint Louis University 2004

REGISTRATIONS

Certified General Real Estate Appraiser
- State of Missouri 2017016147

PROFESSIONAL MEMBERSHIPS

American Planning Association (APA)

Urban Land Institute (ULI)

## CAREER SUMMARY AND BACKGROUND

Steve is a Certified General real estate appraiser and provides his expertise not only to the firm's appraisal and valuation practice, but also regularly contributes to projects requiring market analysis and an understanding of development feasibility. He has a background in community development, urban planning and real estate development.

While in graduate school, Steve was an intern at Development Strategies, and was responsible for the development of a comprehensive database of retail development. He was also a graduate research assistant with the Public Policy Department at Saint Louis University where he utilized his skills in research, GIS, and economic analysis to assist professors with academic research on eminent domain, TIF, and brownfield development.

## EXPERIENCE

Since joining Development Strategies in June 2006, Steve has been involved in a wide variety of projects, including those that involve retail, residential, office, hotel, and industrial components. He has completed hundreds of market studies and appraisals in over 20 states. Steve also has been the lead project manager on numerous large-scale planning projects and community land use studies. He focuses on real estate development finance and feasibility, urban redevelopment, and economic development.

## REPRESENTATIVE ASSIGNMENTS

Market Studies and Appraisals

- Mixed-Use Developments
- Apartments (Affordable, Market Rate, Transit-Oriented, Senior, Special Needs)
- Office Buildings
- Retail Centers
- Industrial
- Student Housing
- Development Sites

Development Feasibility Analysis

- Downtown Louisville, Kentucky
- Midtown Kansas City, Missouri
- Various Urban and Suburban Locations in St. Louis, Missouri
- Downtown Greenville, South Carolina

Planning Projects

- Downtown Louisville Master Plan and Business Development Strategy
- Downtown Strategic Plan in Cape Girardeau, Missouri
- North Riverfront Plan in St. Louis, Missouri

Community and Housing Studies

- Housing Study for Wellston, Missouri
- St. Louis County Housing Study
- Gravois-Jefferson Historic Area in St. Louis, MO
- Downtown Blacksburg Housing Strategy

TIF and Other Economic Development Incentive Analysis

Rent Comparability Studies

Economic and Fiscal Impact Modeling