

Tax Increment Financing Application
for
1609 Zebulon Drive/3725 Verde Drive
Colorado Springs, CO 80910

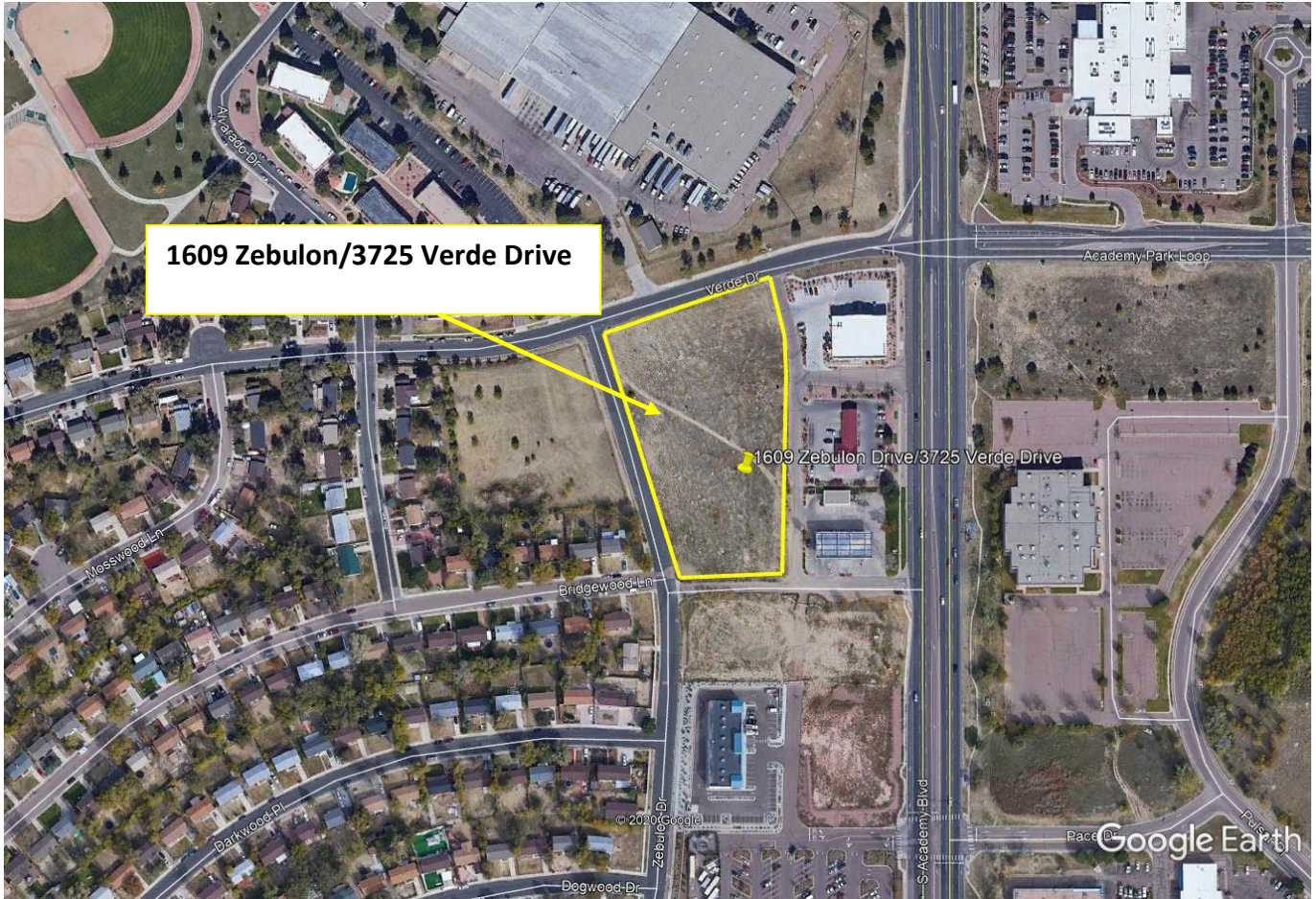
Presented by Cohen-Esrey Development Group

May 15, 2020



The Colorado Springs Urban Renewal Authority
30 S. Nevada Ave. #603
Colorado Springs, CO 80903
Phone: 719-385-5714
jwalker@springsgov.com

1. **Where is the project located?**
1609 Zebulon Drive/3725 Verde Drive, Colorado Springs, CO 80910.



2. **What is the size of the parcel(s) for the project?**
3.276 acres

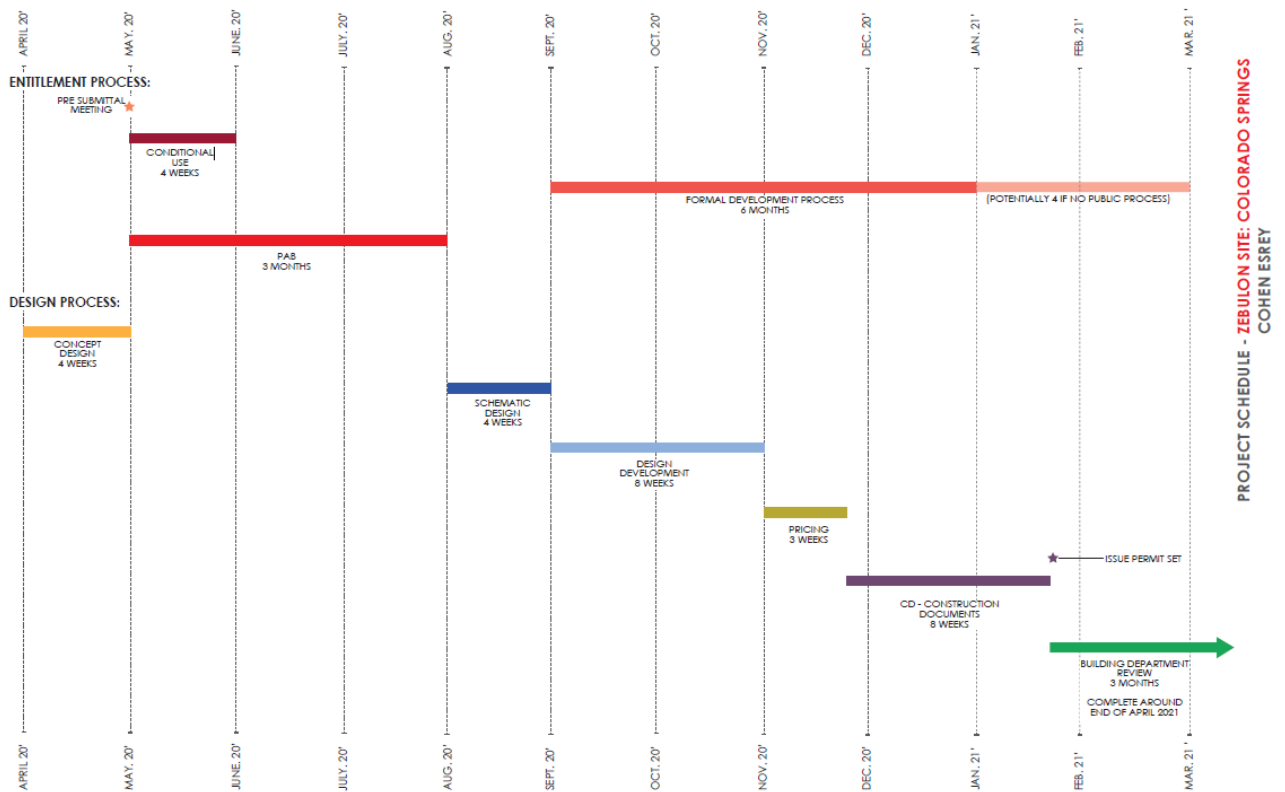
3. What is the intended development program (square feet by use)? Existing and proposed zoning?

The development will be comprised of 138 one, two, and three-bedroom units. All 138 units will be affordable to households earning between 30 and 60 percent of area median income. Current zoning includes multi-family as a conditional use. Per the pre-application meeting with the city, which occurred January 2020, it is likely that the conditional use as a multifamily development will be approved.

4. What is the development time frame for the project? What phase in the City’s Land Use Review Process is the project within? Will it be phased?

We intend to apply for the conditional use permit in May, as well as develop all 138 units in one phase.

A time line for the project follows.



5. What is the entity that is doing the project and is it the entity that will be applying for URA funds?

Cohen-Esrey Development Group, and experienced multifamily developer, will be developing the project and applying for URA funding.

6. What is the proposed revenue sharing for the project, total cost and expected return to the developer?

Revenue sharing is not a component of this \$37 million development. However, the return to the developer is the property tax and sales tax increment payment. This increment allows the developer to increase the permanent debt which makes the project feasible. The entirety of the increment goes back to the development through increased loan proceeds. We anticipate that no increment proceeds return to the developer. We have contacted El Paso County to obtain an estimate of the value they would assign to this project.

7. Does the project envision utilizing property tax, sales tax and/or private property tax increments?

Yes. It envisions utilizing property tax and sales tax increments if possible.

8. What private developer funding is being allocated to the project and what is the financing schedule and developer’s source of funds.

The general partner contribution is the deferral of \$2.2 million in developer fees. Ideally, this will be re-paid over a 10 to 12-year period from the property’s cash flow. The financing schedule follows:

SOURCES	
1st Mortgage	\$ 18,820,983
LIHTC Credits - 4%	\$ 14,010,751
Other - El Paso County	\$ 400,000
HOME/City of CO Springs	\$ 600,000
Division of Housing Soft Funds	\$ 1,000,000
Developer Equity	\$ 2,227,291
TOTAL	\$ 37,059,025

9. What is the developers experience with TIF, urban renewal and operations?

Cohen-Esrey Development Group has worked with numerous government entities to utilize TIF, urban renewal and operations in order to provide affordable housing. Immediately following is a listing of the projects we have worked on with local urban renewal authorities for property tax exemptions:

TIF:

- Walnut Street Flats (Reedsburg, WI)
- Marquette Hall (Dubuque, IA)

100% Property Tax Exemption:

- Hotel Grim (Texarkana, TX)
- Walzem Road (San Antonio, TX)

Urban Revitalization Property Tax Exemption/NSP Exemption/other local partial exemption:

- Marshalltown Senior Residences (Marshalltown, IA)
- Washington Historic Residences (Independence, KS)
- Waverly Historic Residences (Waverly, IA)
- Oneida Mill (Graham, NC)
- Big Chair Lofts (Thomasville, NC)
- Midtown Plaza (Kansas City, MO)

10. Does the project work without tax-increment financing? What would be different without the use of TIF?

The property is not feasible without tax increment financing. We are building an entirely affordable project with rents that will be restricted to affordable rates for 40 years.

We will be utilizing four-percent non-competitive tax credits. This program requires charging reduced rents compared to market rate rents of similar quality developments. We anticipate offering seven units at 30 percent of the area median income, while the remaining 131 units will be offered at 60 percent of area median income. Tax credit budgets are necessarily tight with exacting standards. The reduced revenue these properties experience makes it difficult to secure appropriately sized loans. Tax increment financing reduces annual operating expenses which allows the project to qualify for a larger loan, therefor making the project feasible.

11. How many housing units will the project provide? Affordable?

The development will offer 138 units all of which will be affordable.

12. What are any known environmental conditions or hazardous materials on site?

There are no known environmental conditions or hazardous materials on site. A Phase I Environmental Site Assessment will be completed in the near term.

The following are anticipated Urban Renewal Board Questions in which the developer should be prepared to answer when considering a project for Urban Renewal designation:

1. What is the public benefit/purpose of this project and how will its development benefit the neighborhood, city districts and/or county/state?

The proposed site is located at 1609 Zebulon/3725 Verde Drive in the Valley Hi neighborhood. Per the PlanCOS map this area has been identified as a special focus mature/redevelopment area. In addition, neighborhood planning and attainable housing are specifically listed as a major initiative in the Plan COS Alignment.

Zebulon Flats will contribute to both of these initiatives through the construction of a \$38 million multi-family community and the corresponding benefits of construction/consulting jobs, MBE/WBE outreach, employment opportunity for local neighborhood, and sales tax revenue from both the construction of the project and the 138 families that will live there.

The public benefit is to lock-in affordable housing for 40-years and revitalize the neighborhood as identified by the City of Colorado Springs in PlanCOS. In addition, we will provide a variety resident service that can include:

- Financial management & budget counseling
- Home ownership counseling
- Job readiness coaching
- Job search assistance
- Resume writing
- After-school tutoring
- Nutrition Assistance

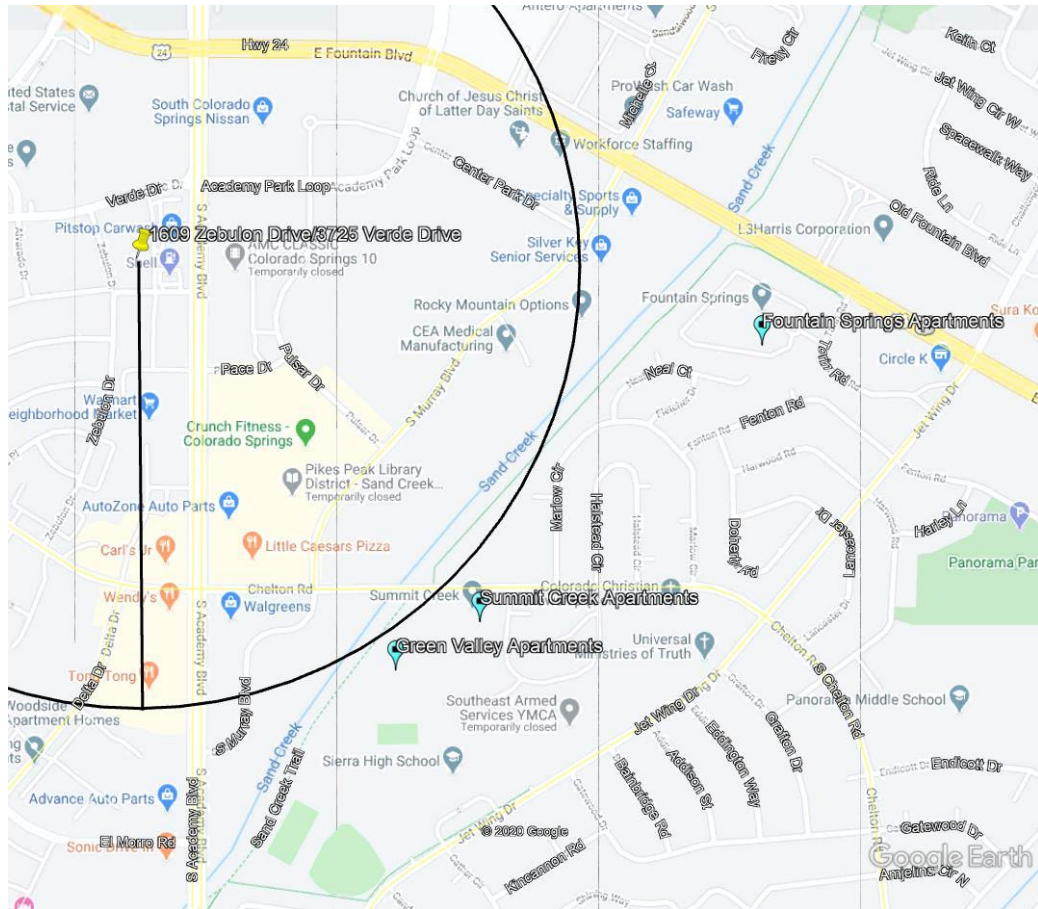
The full spectrum of what is offered will depend on resident surveys to identify the community's needs. We will work with the many service providing agencies in the Colorado Springs area to ensure that our residents' service needs are met.

2. How do you foresee the long-term viability of the development, specifically beyond the URA TIF timeline?

There is a history of long-term viability of similar type of projects in Colorado Springs. Because the rents are typically 10 to 20 percent less than the market rate rents, there is very low vacancy in these housing communities. Below is a list of other properties that have been successful for many years.

Property Name	Program	# of Units	Year Built
Fountain Springs Apartments	LIHTC	228	2002
Green Valley Apartments	LIHTC	121	1993
Summit Creek Apartments	LIHTC	120	1994

A map of these properties follows:



A recent market study for the proposed development revealed that these properties are **98 percent** occupied and maintain waitlists of **30 to 40** applicants and a **two to three year** wait.

3. What risks does the project pose to the city, county and other districts and how are those risks being mitigated? How will this project impact other Urban Renewal Areas (positively or negatively)?

The risks of the project are carried by the developer and there are no risks to the city, county or other districts. Risks carried by the developer include managing the construction budget, leasing the project, converting to the permanent loan and maintaining tax credit compliance. Cohen-Esrey Development Group has developed some 50 properties over the past 25 years and has extensive experience in identifying and mitigating risks associated with multifamily development.

Ideally, this project will help set the standard for responsible utilization of the benefits of an Urban Renewal Area.

4. How do plans for this project compare to other approved projects or urban renewal areas?

The main public purpose of Zebulon Flats is to utilize vacant land, prevent blight, and to provide 138 affordable housing units and corresponding public improvements including sidewalks, streetscape improvements, lighting, public art in addition to providing an overall higher design standard to help revitalize the neighborhood. Our goal is to implement established objectives for revitalizing the area and assisting with the eligible costs of redevelopment, promoting economic growth and private investment through Tax Increment Financing. Establishment of the urban renewal area will improve conditions as identified in the PlanCOS and the upcoming development will focus on renewal efforts in a small area. We are requesting the urban renewal designation will allow new sales and property tax revenues generated by the project to be used to fund sidewalks, utility and other public improvements at the site. The project expands both the City and County's property/sales tax base and creates new opportunities.

While reviewing the past URA project in Colorado Springs, the two projects below, CityGate and Gold Hill Mesa, both incorporate housing in the developments and have design/development goals consistent with Zebulon Flats.

CityGate

- Implement the City of Colorado Springs Comprehensive Plan
- Stimulate development of vacant and underutilized land
- Increase property values and strengthen the City's economic base
- Provide a range of financing mechanisms for private property investment
- Encourage public-private partnerships to implement this development
- Advance higher standards through quality design and material selection
- Landscape streetscapes and gateways to unify uses and plan components
- Ensure Sensitivity to existing surrounding neighborhoods

Gold Hill Mesa

- Create urban housing opportunities currently lacking in the market
- Provide well-designed parking sufficient to meet the needs generated by the project
- Improve property values
- Encourage the development of affordable housing equivalent to a minimum of 20% of all housing units in the Urban Renewal Area.

Vineyard Property – Although the primary use of this project is to provide data centers, which is quite different than Zebulon Flats, we felt it was important to note that it has several of the design and energy efficient goals consistent with our project in addition to .

- Eliminate and prevent blight
- Implement elements of the City of Colorado Springs Comprehensive Plan
- Improve conditions on properties in a manner that raises the standard of development in this portion of the City

- Advance a “green” building and sustainability model
- Enhance the public realm with lighting, sidewalks and complete streets
- Provide a range of financing mechanisms for public improvements
- Facilitate public-private and public-public partnerships

Although Zebulon Flats is unique because it will be a 100% affordable apartment community, it is very comparable with past projects given the overall goals & opportunities of past URA projects.

5. How will this project impact/ incorporate current residents and businesses in or near the project area?

It is our intention to secure local, Colorado Springs or El Dorado County, based firms and businesses to work on the project. We are considering RM Rocha for the traffic study, and Kiowa Engineering for MEP work, and CSI Constructors as a contractor. It is our opinion, and experience, that local companies are more knowledgeable about geotechnical concerns, material supply, the weather, and the impact of a project on a community.

Further CEDG will hold meetings with community members and civic leaders to address rezoning the property and listen to any concerns or ideas current residents may have.

6. What considerations have been made in regard to minority or woman-owned businesses for the project?

This development team will make every effort to secure opportunities for MBE & WBE firms. We plan to do this by outreach through our general contractor when they are submitting proposals to sub-contractors. We will also register on the State MBO site as a source for MBE or WBE firms to contact us for consideration. We will work with the city to identify and requests bids from Section 3 businesses. We will also work with the Colorado Springs Colorado Employment Resource Center to hire individuals from the community, or neighborhood, to work on the construction team. The individual can benefit from on-site training to gain skills in the construction industry. This can provide upward mobility as a direct result of work experience on the construction project.

7. How will this project impact public services (transit, police/fire, schools and libraries)?

Two bus stops located within 0.2 miles of the site. The library is located 0.6 miles to the south on Academy Drive, and Centennial Elementary is 0.5 miles to the south on Zebulon Drive. These amenities will be important to the workforce families that will live at the property. As such, we anticipated that these services would see an increase in use with the addition of 138 families, or approximately 200 to 250 people, to the immediate area. However, this project does represent an investment of \$37 million to the community. The development will provide an improved streetscape, including pedestrian level lighting, walk-ways, and curbs and gutters which will create a safer, more walkable neighborhood, thus helping to grow “pride of place” in the area.

8. How will this project impact the tax base surrounding the area?

The addition of 138 families at this location will have a significant impact on increased sales tax revenue for the City of Colorado Springs. The Dollar Store, AMC Theater and Walmart Market are all located less than block from the development site. The community will also benefit from tax revenue gained from purchases such as cars, furniture, and other durable goods.

9. Are you looking to bond, and if so, how do you foresee the bonds of the project being administered?

We plan to issue private activity bonds which is a municipal bond issued by a local government for a certain defined use. Affordable housing is one of the allowed uses for these bonds and it is intended to provide the owner with the benefits of low interest financing needed for the development of affordable housing. When used for affordable housing, the bonds are designed to be used in conjunction with the 4% Low-Income Housing Tax Credit. One of the requirements of the bonds is that the repayment of the bonds is from a specified revenue source which is the rental income from the apartments. We have spoken with the City of Colorado Springs and there are private activity bonds available, and we plan to submit an application to the City which will take about 3 months from submission to approval.

10. What considerations have been made for affordable housing with the project?

The entirety of the project will be affordable housing for 40 years.

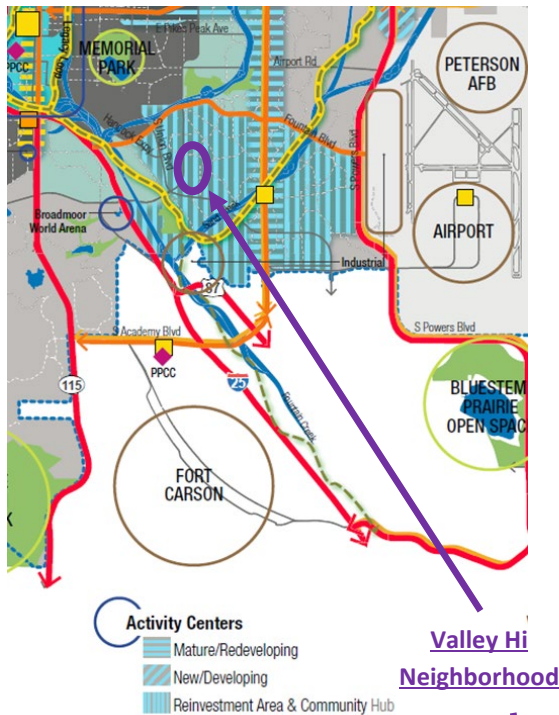
Exhibit A – Project Narrative & Summary

ZEBULON FLATS – Project Narrative

Development Objectives

1) To implement the Colorado Springs Comprehensive Plan.

Below is a snapshot from the PlanCOS Vision Map:



The proposed site is located at 1609 Zebulon/3725 Verde Drive in the Valley Hi neighborhood. Per the PlanCOS map this area has been identified as a special focus mature/redevelopment area. In addition *neighborhood planning* and *attainable housing* are specifically listed as a major initiative in the Plan COS Alignment.

Zebulon Flats will contribute to both of these initiatives through the construction of a \$38 million multi-family community and the corresponding benefits of construction/consulting jobs, MBE/WBE outreach, employment opportunity for local neighborhood, and sales tax revenue from both the construction of the project and the 138 families that will live there.



WALKSCORES

Here is another snapshot from the PlanCOS which shows the Valley Hi neighborhood as a “Changing Neighborhood”.

This location has a walkability score of 57.

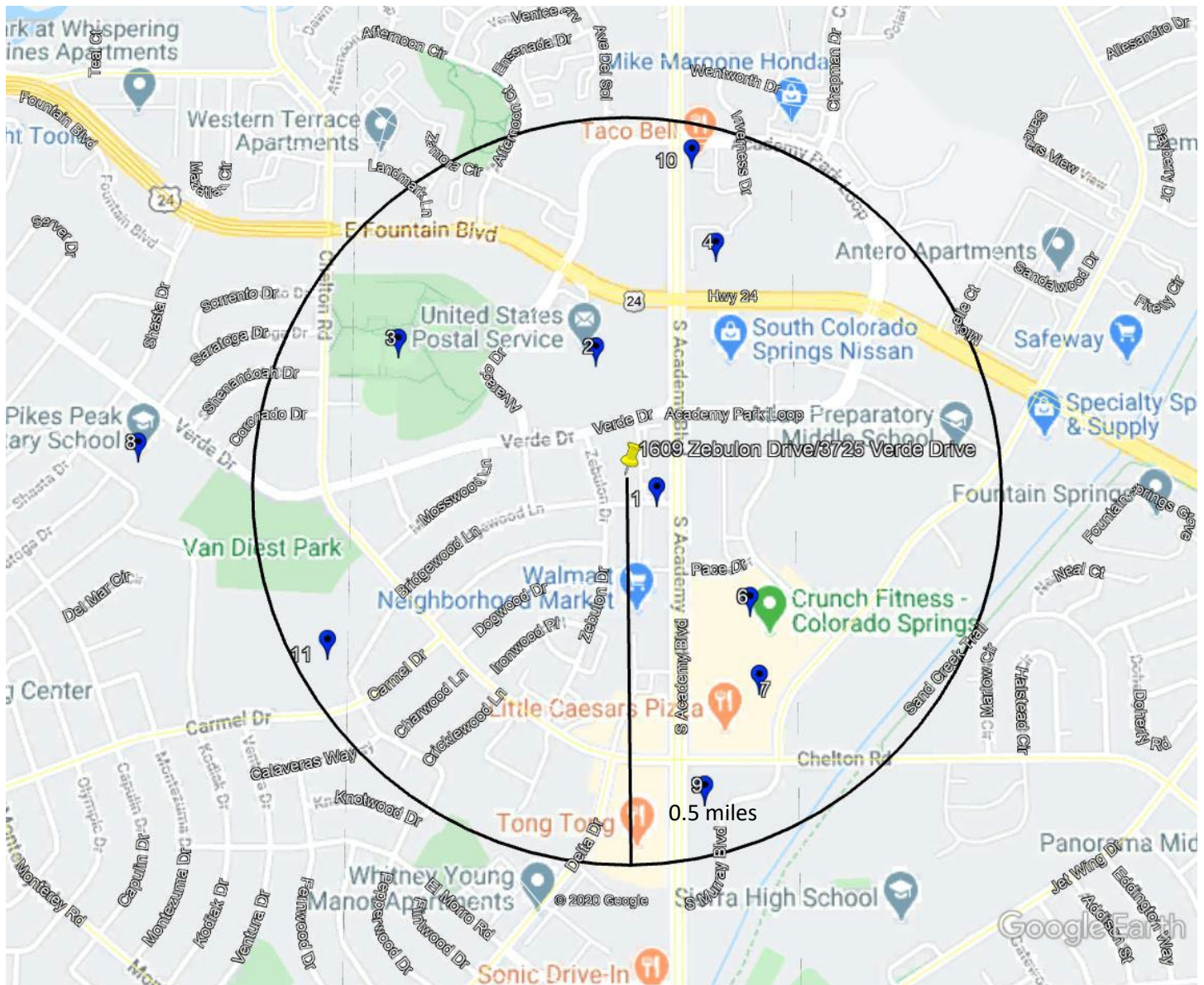
The Mountain Metropolitan Transit has a bus stop .2 miles from the site. The 27 route runs north and south along academy every 15 minutes during the week, 30 minutes on the weekends and every hour in the evening. The site is about 5 stops from the Citadel Mall where most all bus routes pass through.

Property Name	Walk Score (Out of 100)	Transit Score (Out of 100)	Avg.
Zebulon Flats (Subject)	57	32	45
Copper Creek Apartments	33	24	29
Fountain Springs	37	N/A	37
Homewood Point	51	39	45
Hillside Pointe	15	30	23
Constitution Square	40	20	30
Creekside Palmer Park	49	24	37
Western Hills Apartments	32	20	26
Esperanza Village	57	34	46
Pikes Place	60	41	51
Village East Apartments	24	20	22
Murray Hill Apartments	56	34	45
Comp Average	41	29	35
Colorado Springs Average	39	15	27

Source: Walkscore.com

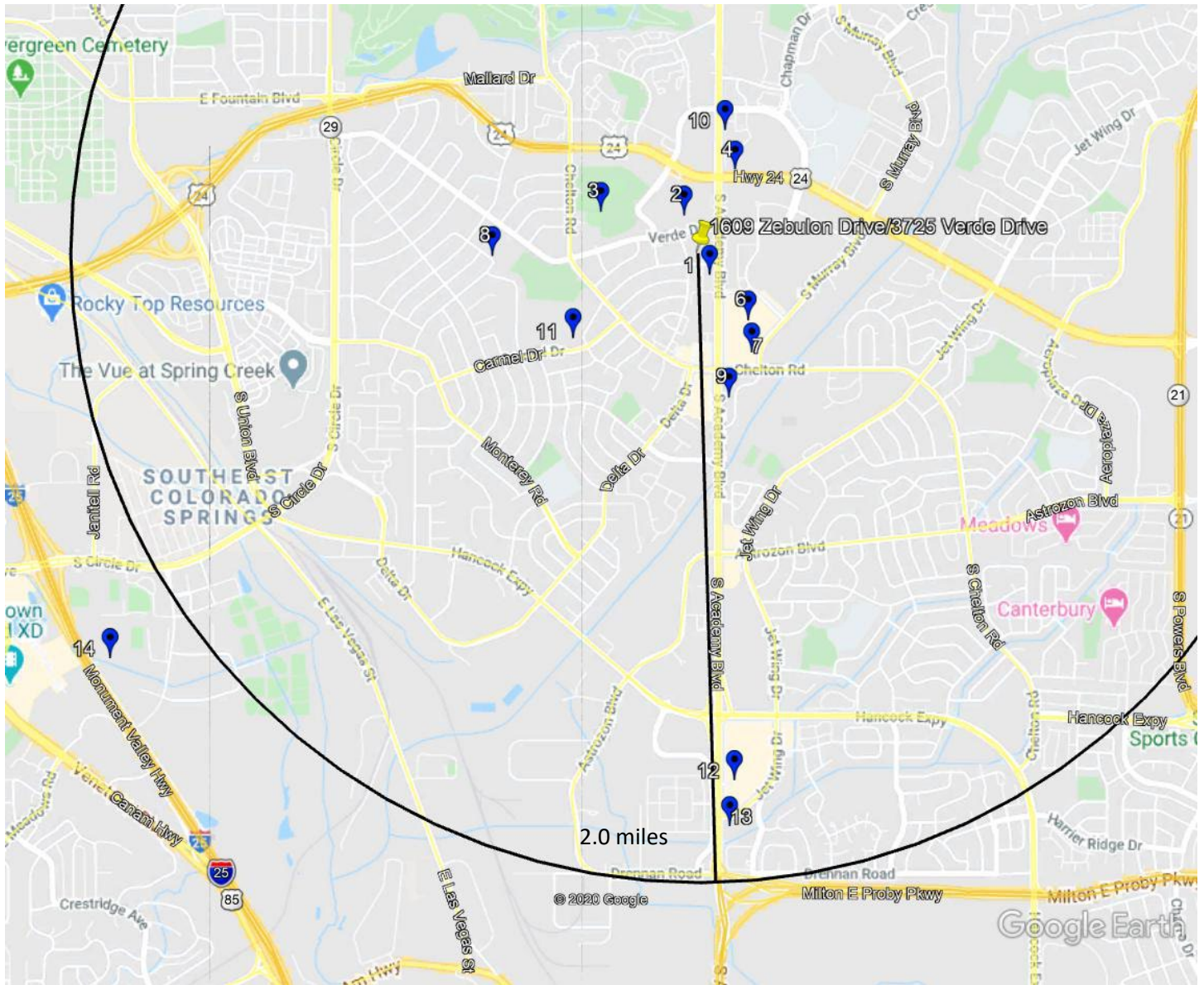
- 2) **To prevent and eliminate conditions of blight within the City of Colorado Springs.** Currently this site is a vacant. It is surrounded with retail on the east and south, with single family homes to the west and the post office to the north. The construction of this building will help to prevent blight by utilizing vacant land with a use that will modernize neighborhood, create vibrancy, integrate local culture with public art, and improve streetscapes, walkways and increase walkway lighting. We agree to fulfill all the below Design Objectives:
- 1) Comply with existing, or planned, zoning requirements.
 - 2) Comply with design guidelines for the urban redevelopment area established by the City or the Authority.
 - 3) Encourage the provision and installation of public art in project areas.
 - 4) Include elements that are pedestrian friendly and safe.
 - 5) Promote high quality urban design and architecture
- 2.** To encourage and promote development/redevelopment: IF we are selected for URA financing, the following are the projected costs that could be incurred and funded by this opportunity: land, storm drainage, curb & sidewalks, street lighting, streetscape improvements and public art.
- 3.** **To increase employment opportunities.** Based on research provided by National Association of Home Builders that show a 100-unit apartment building can provide an estimated 90 jobs from the construction activity and an additional 71 from the “ripple” effect of spending and taxes from the construction. The link is here to see the whole report. https://www.nahb.org/-/media/NAHB/news_and_economics/docs/economics/economic-impact/economic-impact-local-area-2015.pdf. In addition, we plan to register on the State of Colorado MBO (Minority Business Organization) website to connect with potential consultants and service providers, we will provide opportunities for neighborhood residents to secure a temporary position on the jobsite which may potentially become permanent, and once the property is built, we will provide job assistance consultation, financial & budgeting management, resume writing & job readiness training.
- 4.** **To encourage and provide incentives for the private development of affordable housing.** It is important to note that Average Median Income (AMI) is a HUD calculation and provide the measure of the “affordability” of a project. In Colorado Springs, the AMI is \$81,600 and we plan to provide 95% of the project or 131 units to serve people at 60% of AMI which equates to salaries from \$34,320 (1 person) up to \$56,820 (6 people). We will also have five percent, or 7 units, at 30% AMI which equates to salaries from \$17,160 (1 person) to \$28,410 (6 people). These rents and income levels will be locked in for 40 years with only an annual adjustment made by HUD based on changes to the nationally defined AMI.
- 5.** **To encourage the development of projects that would not otherwise be considered financially feasible without the participation of CSURA.** For our project to be feasible, we need property tax relief. Given the reduced rents, the property cannot support the loan required to fund the construction costs without property tax assistance. If we do not receive this assistance, we cannot move forward with the project.
- 6.** **To enhance the current sales tax and property tax revenue within the City and County with development that will increase the assessed valuation and provide additional sales tax collections.** Currently El Paso County assessor’s office is reviewing the project to provide an estimated value. We will provide an update as soon as it is received.

Exhibit B – Vicinity Map



LOCATIONAL AMENITIES

Map #	Amenity	Distance	Map #	Amenity	Distance
1	Gas Station	Adjacent	9	Walgreen's Pharmacy	0.5 miles
2	US Post Office	Adjacent	10	COS Police Department	0.5 miles
3	Leon Young Park	0.2 miles	11	Carmel Middle School	0.5 miles
4	Bus Stop I	0.2 miles	12	Key Bank	1.7 miles
5	Walmart Neighborhood Market	0.2 miles	13	Fire Department	1.8 miles
6	Bus Stop II	0.3 miles	14	Harrison High School	2.2 miles
7	Sand Creek Library	0.4 miles	15	UC Health Hospital	2.9 miles
8	Pikes Peak Elementary School	0.4 miles	-	-	-



LOCAL AMENITIES

Map #	Amenity	Distance	Map #	Amenity	Distance
1	Gas Station	Adjacent	9	Walgreen's Pharmacy	0.5 miles
2	US Post Office	Adjacent	10	COS Police Department	0.5 miles
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7	Sand Creek Library	0.4 miles	15	UC Health Hospital	2.9 miles
8	Pikes Peak Elementary School	0.4 miles	-	-	-

Exhibit C – Location of Parking

The design will include enough parking for 138 units. Below is a preliminary site plan that shows how we expect the parking to be located on the site.

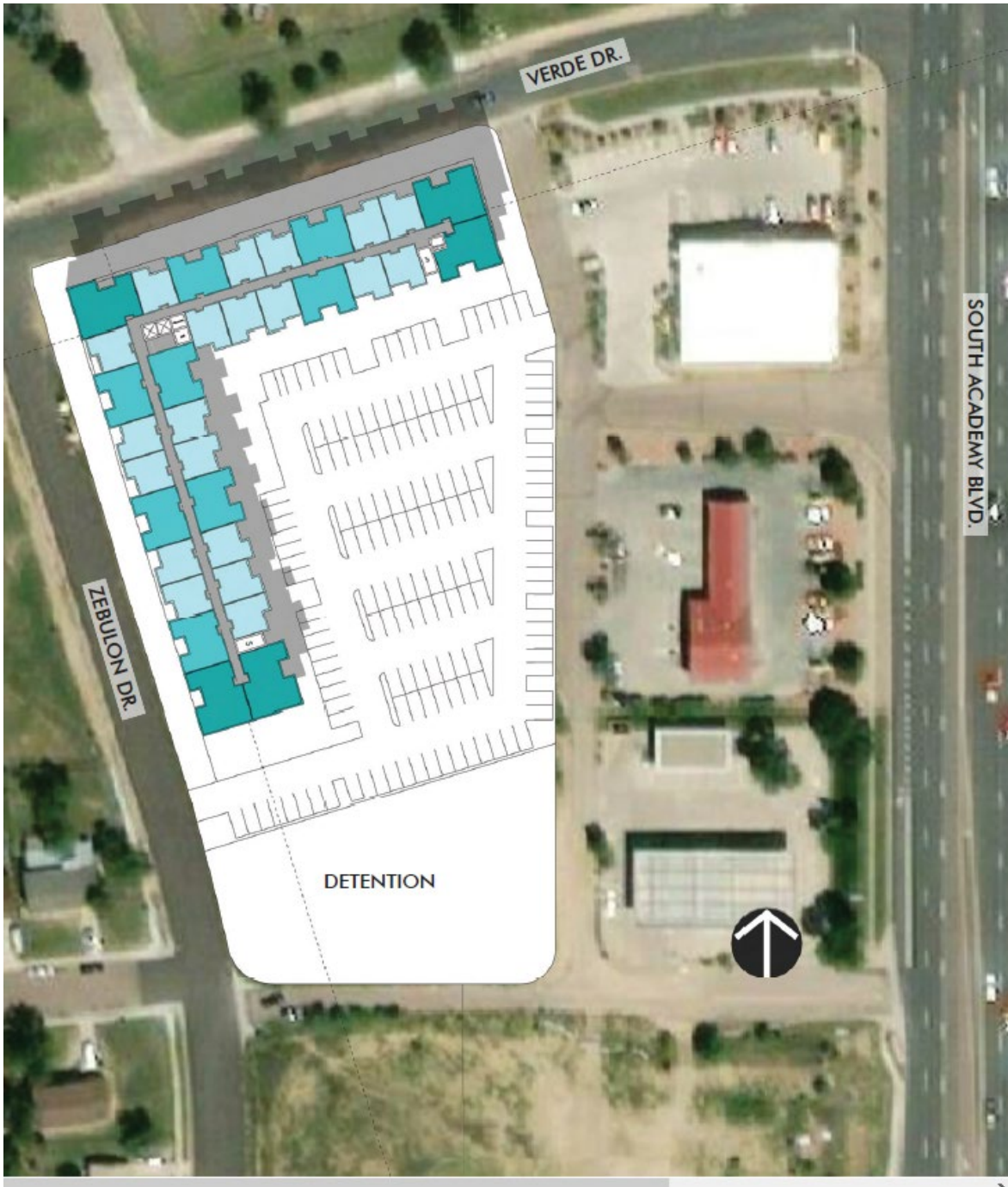


Exhibit D

Proposed project art component and affordable housing component

The art component has not been specifically identified; however we plan to work in conjunction with the project designers and City of Colorado Springs to identify an art component and the best way to incorporate it into the project. As discussed throughout this application, our project will provide 138 affordable housing units.

Exhibit E

There are no historic components with our project

For further information please contact:

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Thank you for your consideration.