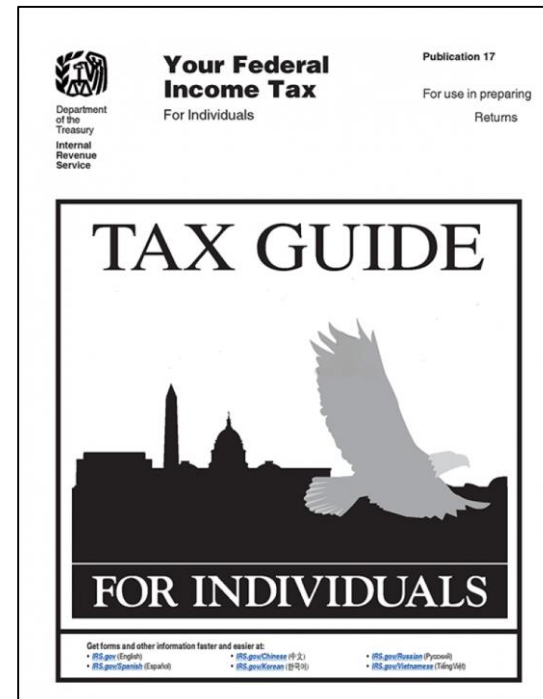


Colorado Springs Metro Districts and Taxes



- **Issue 1: What are the financial implications to the Homeowner for buying a new home in a Metro District**
 - Examine two methods: Adding the Public Infrastructure costs to the Sales Price of the Home or paying District Mil Levies
 - Using Wildgrass at Rockrimmon and Silver Hawk at Soaring Eagles Metro Districts as examples, compare:
 - Principal, Interest, Taxes and Insurance – PITI
 - 1st Year of loan
 - Income Needed to Qualify for Loans
 - 5th, 10th and 15th Year of loan
 - Federal and State Income Taxes
 - Standard Deduction
 - Itemized Deduction
- **Issue 2: What are the financial implications to the Developer for selling a new home in a Metro District versus a non-district development**
 - Not an expert here

Wildgrass Metro District

- 76 Homes
 - Northwest corner of South Rockrimmon and Delmonico
 - Per Developer average value of \$400K
- 33.398 Debt Service Mil Levy
 - Gallagher adjusted for
.0715 Actual to Assessed Value ratio
- 11.132 Operations Mil Levy
 - Plus another \$100 per month Service Fee
- 30-year Debt Service Mil Levy to pay for \$1,362,000 in Public Improvement costs
 - \$17,912 per home



PITI – 1st Year of Loan

1st Year of Loan				
	Adding to Sales Price		District	Difference
Sales Price	\$ 417,921.05		\$ 400,000.00	\$ 17,921.05
Loan Value	\$ 334,336.84		\$ 320,000.00	\$ 14,336.84
Principal and Interest	\$ 1,548.37		\$ 1,481.97	\$ 66.40
Taxes	\$ 189.02		\$ 180.92	\$ 8.10
Debt Service Mil levy	\$ -		\$ 79.60	\$ (79.60)
Ops Mil Levy	\$ -		\$ 26.63	\$ (26.63)
Service Fee	\$ 126.63		\$ 100.00	\$ 26.63
Insurance	\$ 255.00		\$ 250.00	\$ 5.00
Total Monthly	\$ 2,119.02		\$ 2,119.12	\$ (0.10)
Total Annual	\$ 25,428.24		\$ 25,429.44	\$ (1.20)

- Principal and Interest based on 30-year fixed loan, 3.75% interest at 80% loan to value ratio
- Taxes: .0715 Actual to Assessed Value ratio
 - Sales Price equals Assessed Value for tax calculations
 - Matches Wildgrass numbers in their debt authorization request
 - 75.910 Mills in Property Tax
 - Ops Mil Levy is added into the Service (HOA) Fee under *Adding to Sales Price*
- Homeowner Insurance at \$255/mn for \$418K and \$250/mn for \$400K home value

Home Loan Qualification

- Using Mortgage companies 28/36 Rule for loan qualification
 - Home costs should not exceed 28% of monthly income
 - Home costs includes PITI plus HOA dues and Utilities
 - All bills (home, car, credit cards, etc.) should not exceed 36% of monthly income

- Assuming \$250/month for Utilities

Home Loan Qualification			
	Adding to Sales Price		District
Loan Value	\$	334,336.84	\$ 320,000.00
Principal and Interest	\$	1,548.37	\$ 1,481.97
Taxes	\$	189.02	\$ 180.92
Debt Service Mil levy	\$	-	\$ 79.60
Ops Mil Levy	\$	-	\$ 26.63
Service Fee	\$	126.63	\$ 100.00
Insurance	\$	255.00	\$ 250.00
Utilities	\$	250.00	\$ 250.00
Total Monthly	\$	2,369.02	\$ 2,369.12
Total Annual	\$	28,428.24	\$ 28,429.44
Annual Income Required	\$	101,529.43	\$ 101,533.71

- Using Silver Hawk as an example for \$300K priced homes
 - 70 Homes southwest of Powers and Hancock Expressway
 - 33.399 Debt Service Mil Levy
 - Gallagher adjusted for .0715 Actual to Assessed Value ratio
 - 5.586 Operations Mil Levy
 - 40-year Debt Service Mil Levy to pay for \$1,030,000 in Public Improvement costs
 - \$14,714 per home

- Home Loan
 - Principal and Interest based on 30-year fixed loan, 3.75% interest at 90% loan to value ratio
 - 1% Private Mortgage Insurance through year 6 of loan
 - Taxes: .0715 Actual to Assessed Value ratio
 - Sales Price equals Assessed Value for tax calculations
 - Matches Silver Hawk numbers in their debt authorization request
 - 63.691 Mills in Property Tax
 - Ops Mil Levy is added into the Service (HOA) Fee under *Adding to Sales Price*
 - Homeowner Insurance at \$205/mn for \$314K and \$200/mn for \$300K home value
 - Utilities at \$225/month

1st Year of Loan and Loan Approval

1st Year of Loan					
	Adding to Sales Price		District		Difference
Sales Price	\$	314,714.29	\$	300,000.00	\$ 14,714.29
Loan Value	\$	283,242.86	\$	270,000.00	\$ 13,242.86
Principal and Interest	\$	1,311.74	\$	1,250.41	\$ 61.33
Taxes	\$	119.43	\$	113.85	\$ 5.58
Debt Service Mil levy	\$	-	\$	59.70	\$ (59.70)
Ops Mil Levy	\$	-	\$	9.98	\$ (9.98)
Service Fee	\$	9.98	\$	-	\$ 9.98
Private Mortgage Insurance	\$	262.26	\$	250.00	\$ 12.26
Homeowners Insurance	\$	205.00	\$	200.00	\$ 5.00
Total Monthly	\$	1,908.41	\$	1,883.94	\$ 24.47
Total Annual	\$	22,900.92	\$	22,607.28	\$ 293.64

Home Loan Qualification		
	Adding to Sales Price	District
Loan Value	\$ 283,242.86	\$ 270,000.00
Principal and Interest	\$ 1,311.74	\$ 1,250.41
Taxes	\$ 119.43	\$ 113.85
Debt Service Mil levy	\$ -	\$ 59.70
Ops Mil Levy	\$ -	\$ 9.98
Service Fee	\$ 9.98	\$ -
Private Mortgage Insurance	\$ 262.26	\$ 250.00
Homeowners Insurance	\$ 205.00	\$ 200.00
Utilities	\$ 225.00	\$ 225.00
Total Monthly	\$ 2,133.41	\$ 2,108.94
Total Annual	\$ 25,600.92	\$ 25,307.28
Annual Income Required	\$ 91,431.86	\$ 90,383.14

Home Value Appreciation

- Home Values are re-assessed every two year
 - As Assessed Actual Value goes up so does District Mil Levies dollar amount
- Out-year assumptions:
 - Homeowners keeps house for 15 years without refinancing
 - Duration briefed by Harry Salzman
 - Colorado Springs home values **increase 4% per year**
 - More conservative than last 10 year performance

Real Estate as an Investment

Single Family Homes in Colorado Springs

5-Year Appreciation

	Average	Median
Dec '19	\$364,584	\$329,990
Dec '14	255,852	225,000
\$ Gain	108,932	104,990
%Gain	48.27%	46.66%
Annual % Gain	9.65%	9.33%

10-Year Appreciation

	Average	Median
Dec '19	\$364,584	\$329,990
Dec '09	223,143	192,500
\$ Gain	141,441	137,490
%Gain	63.39%	71.42%
Annual % Gain	6.33%	7.14%

5% per year if
compounded annually



Wildgrass - 5th, 10th & 15th Year of Loan



5th Year of Loan				
	Adding to Sales Price		District	Difference
Sales Price	\$ 488,908.52		\$ 467,943.42	\$ 20,965.10
Loan Value	\$ 334,336.84		\$ 320,000.00	\$ 14,336.84
Principal and Interest	\$ 1,548.37		\$ 1,481.97	\$ 66.40
Taxes	\$ 223.37		\$ 213.80	\$ 9.58
Debt Service Mil levy	\$ -		\$ 93.12	\$ (93.12)
Ops Mil Levy	\$ -		\$ 31.15	\$ (31.15)
Service Fee	\$ 131.15		\$ 100.00	\$ 31.15
Insurance	\$ 298.31		\$ 292.46	\$ 5.85
Total Monthly	\$ 2,201.21		\$ 2,212.50	\$ (11.29)
Total Annual	\$ 26,414.49		\$ 26,550.03	\$ (135.54)

10th Year of Loan				
	Adding to Sales Price		District	Difference
Actual Value	\$ 571,953.82		\$ 547,427.62	\$ 24,526.20
Loan Value	\$ 334,336.84		\$ 320,000.00	\$ 14,336.84
Principal and Interest	\$ 1,548.37		\$ 1,481.97	\$ 66.40
Taxes	\$ 261.32		\$ 250.11	\$ 11.21
Debt Service Mil levy	\$ -		\$ 108.94	\$ (108.94)
Ops Mil Levy	\$ -		\$ 36.44	\$ (36.44)
Service Fee	\$ 136.44		\$ 100.00	\$ 36.44
Insurance	\$ 348.99		\$ 342.14	\$ 6.84
Total Monthly	\$ 2,295.11		\$ 2,319.60	\$ (24.49)
Total Annual	\$ 27,541.35		\$ 27,835.25	\$ (293.90)

15th Year of Loan				
	Adding to Sales Price		District	Difference
Actual Value	\$ 723,704.04		\$ 692,670.58	\$ 31,033.46
Loan Value	\$ 334,336.84		\$ 320,000.00	\$ 14,336.84
Principal and Interest	\$ 1,548.37		\$ 1,481.97	\$ 66.40
Taxes	\$ 330.65		\$ 316.47	\$ 14.18
Debt Service Mil levy	\$ -		\$ 137.84	\$ (137.84)
Ops Mil Levy	\$ -		\$ 46.11	\$ (46.11)
Service Fee	\$ 154.27		\$ 108.16	\$ 46.11
Insurance	\$ 441.58		\$ 432.92	\$ 8.66
Total Monthly	\$ 2,474.87		\$ 2,523.47	\$ (48.61)
Total Annual	\$ 29,698.40		\$ 30,281.67	\$ (583.27)



Silver Hawk - 5th, 10th & 15th Year of Loan



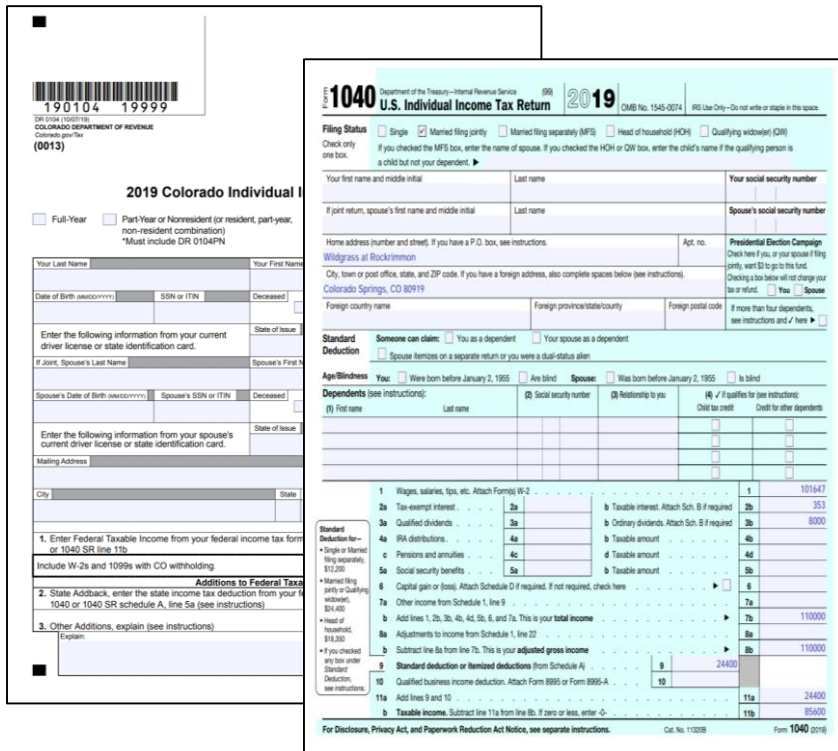
5th Year of Loan					
	Adding to Sales Price		District		Difference
Sales Price	\$ 368,171.21		\$ 350,957.57		\$ 17,213.64
Loan Value	\$ 283,242.86		\$ 270,000.00		\$ 13,242.86
Principal and Interest	\$ 1,311.74		\$ 1,250.41		\$ 61.33
Taxes	\$ 139.72		\$ 133.19		\$ 6.53
Debt Service Mil levy	\$ -		\$ 69.84		\$ (69.84)
Ops Mil Levy	\$ -		\$ 11.68		\$ (11.68)
Service Fee	\$ 11.68		\$ -		\$ 11.68
Private Mortgage Insurance	\$ 262.26		\$ 250.00		\$ 12.26
Homeowners Insurance	\$ 239.82		\$ 233.97		\$ 5.85
Total Monthly	\$ 1,965.22		\$ 1,949.09		\$ 16.13
Total Annual	\$ 23,582.64		\$ 23,389.08		\$ 193.56

10th Year of Loan					
	Adding to Sales Price		District		Difference
Actual Value	\$ 430,708.24		\$ 410,570.72		\$ 20,137.52
Loan Value	\$ 283,242.86		\$ 270,000.00		\$ 13,242.86
Principal and Interest	\$ 1,311.74		\$ 1,250.41		\$ 61.33
Taxes	\$ 163.45		\$ 155.81		\$ 7.64
Debt Service Mil levy	\$ -		\$ 81.70		\$ (81.70)
Ops Mil Levy	\$ -		\$ 13.67		\$ (13.67)
Service Fee	\$ 13.67		\$ -		\$ 13.67
Private Mortgage Insurance	\$ -		\$ -		\$ -
Homeowners Insurance	\$ 280.56		\$ 273.71		\$ 6.85
Total Monthly	\$ 1,769.42		\$ 1,775.30		\$ (5.88)
Total Annual	\$ 21,233.04		\$ 21,303.60		\$ (70.56)

15th Year of Loan					
	Adding to Sales Price		District		Difference
Actual Value	\$ 544,983.33		\$ 519,502.94		\$ 25,480.39
Loan Value	\$ 283,242.86		\$ 270,000.00		\$ 13,242.86
Principal and Interest	\$ 1,311.74		\$ 1,250.41		\$ 61.33
Taxes	\$ 206.82		\$ 197.15		\$ 9.67
Debt Service Mil levy	\$ -		\$ 103.38		\$ (103.38)
Ops Mil Levy	\$ -		\$ 17.29		\$ (17.29)
Service Fee	\$ 17.29		\$ -		\$ 17.29
Private Mortgage Insurance	\$ -		\$ -		\$ -
Homeowners Insurance	\$ 354.99		\$ 346.33		\$ 8.66
Total Monthly	\$ 1,890.84		\$ 1,914.56		\$ (23.72)
Total Annual	\$ 22,690.08		\$ 22,974.72		\$ (284.64)

Federal and State Income Taxes

- Zero Federal and State Tax impact between two options if taking Standard Deduction
 - No deductions for State Income Tax, Real Estate Tax nor Mortgage Interest



2019 Colorado Individual Income Tax Return

1. Enter Federal Taxable Income from your federal income tax form or 1040 SR line 11b

2. State Addback, enter the state income tax deduction from your 1040 or 1040 SR schedule A, line 5a (see instructions)

3. Other Additions, explain (see instructions)

Standard Deduction: 24,400

Adjusted Gross Income: 110,000

Taxable Income: 85,600

Federal Tax: 10,549.00

State Tax: 4,048.88

Category	Amount
Wages etc	\$ 101,700.00
Interest	\$ 800.00
Dividends	\$ 7,500.00
Agdjst Gross Income	\$ 110,000.00
Standard Deduction	\$ (24,400.00)
Taxable Income	\$ 85,600.00
Federal Tax	\$ 10,549.00
State	\$ 4,048.88

Deductible Categories if Itemizing

- Medical and Dental expenses
 - Must exceed 7.5% of Adjusted Gross Income (AGI)
- State and Local Taxes (SALT)
 - State Income tax – 4.63%
 - Real Estate Taxes - .07591 for Wildgrass example
 - Personal Property taxes
 - For most of us just our car ownership tax
- Mortgage Interest
- Gifts to Charity
- Miscellaneous Expenses
 - Must exceed 2% of AGI

SCHEDULE A (Form 1040 or 1040-SR) (Rev. January 2020) Department of the Treasury Internal Revenue Service (95)		Itemized Deductions ▶ Go to www.irs.gov/ScheduleA for instructions and the latest information. ▶ Attach to Form 1040 or 1040-SR. Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.		OMB No. 1545-0074 2019 Attachment Sequence No. 07
Name(s) shown on Form 1040 or 1040-SR				Your social security number
Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others. 1 Medical and dental expenses (see instructions) 2 Enter amount from Form 1040 or 1040-SR, line 8b 2 3 Multiply line 2 by 7.5% (0.075) 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	1	2	3
Taxes You Paid	5 State and local taxes. a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/> ▶ b State and local real estate taxes (see instructions) c State and local personal property taxes d Add lines 5a through 5c e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) 6 Other taxes. List type and amount ▶ 7 Add lines 5e and 6	5a	5b	5c
Interest You Paid	Caution: Your mortgage interest deduction may be limited (see instructions). a Home mortgage interest and points reported to you on Form 1098. See instructions if limited b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address c Points not reported to you on Form 1098. See instructions for special rules d Mortgage insurance premiums (see instructions) e Add lines 8a through 8d 9 Investment interest. Attach Form 4952 if required. See instructions 10 Add lines 8e and 9	8a	8b	8c
Gifts to Charity	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions Caution: If you made a gift and got a benefit for it, see instructions. You must attach Form 8283 if over \$500. 12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500. 13 Carryover from prior year 14 Add lines 11 through 13	11	12	13
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15		
Other Itemized Deductions	16 Other— from list in instructions. List type and amount ▶	16		
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 9	17		
Itemized Deductions	18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/> ▶	18		

For Paperwork Reduction Act Notice, see the Instructions for Forms 1040 and 1040-SR. Cat. No. 17145C Schedule A (Form 1040 or 1040-SR) 2019

Tax Cuts and Jobs Act Changes

For 2017 Tax Year

- Standard Deduction
 - Single - \$6,350
 - Married Filing Jointly - \$12,700
 - \$4050/pp Personal Exemption
- 25% tax rate above \$79,500
- Maximum Mortgage Interest
 - \$1,000,000 Loan
- State and Income Tax Deduction
 - Unlimited
- HOA Fees
 - Not Deductible
- ~ 30% of Individual Filings itemized
 - 46.5M returns

For Tax Year 2019

- Standard Deduction
 - Single - \$12,200
 - Married Filing Jointly - \$24,400
 - No Personal Exemption
- 22% tax rate above \$78,950
- Maximum Mortgage Interest
 - \$750,000 Loan
- State and Income Tax Deduction
 - Capped at \$10,000
- HOA Fees
 - Not Deductible
- ~ 12% expected to itemize
 - 18M returns

Tax Impacts – 1st Year of Mortgage

- Wildgrass homeowners would probably itemize for first few years of mortgage
 - Silver Hawk homeowners would probably take the Standard Deduction

1st Year Federal and State Taxes				
Adding to Sales Price			District	
Adjusted Gross Income	\$	110,000.00	Adjusted Gross Income	\$ 110,000.00
Itemized Deduction			Itemized Deduction	
State Tax - 4.63%	\$	4,129	State Tax - 4.63%	\$ 4,099
Real Estate Tax	\$	2,291	Real Estate Tax	\$ 2,193
Debt Service Mil Levy	\$	-	Debt Service Mil Levy	\$ 955
Ops Mil Levy	\$	-	Ops Mil Levy	\$ 320
Personal Property Tax	\$	600	Personal Property Tax	\$ 600
3-yr old \$50,000 car			3-yr old \$50,000 car	
Total SALT	\$	7,020	Total SALT	\$ 8,167
Mortgage Interest	\$	12,433	Mortgage Interest	\$ 11,900
Charity	\$	5,500	Charity	\$ 5,500
1/2 Tithing			1/2 Tithing	
Total Deductable	\$	24,953	Total Deductable	\$ 25,567
Taxable Income	\$	85,047	Taxable Income	\$ 84,433
Federal Tax	\$	10,427	Federal Tax	\$ 10,292
State Tax	\$	4,129	State Tax	\$ 4,099
Total Taxes	\$	14,556	Total Taxes	\$ 14,391
Monthly Difference	\$	13.75	Annual Difference	\$ 165

Tax Impacts – 2nd Year of Mortgage

- By second year though, *Adding to the Sales Price* would be taking the Standard Deduction
 - Results in lower tax bill than itemizing for being in a District

2nd Year Federal and State Taxes			
Adding to Sales Price		District	
Adjusted Gross Income	\$ 112,200.00	Adjusted Gross Income	\$ 112,200.00
Standard Deduction	\$ 24,800		
Itemized Deduction		Itemized Deduction	
State Tax - 4.63%	\$ 4,243	State Tax - 4.63%	\$ 4,213
Real Estate Tax	\$ 2,291	Real Estate Tax	\$ 2,193
Debt Service Mil Levy	\$ -	Debt Service Mil Levy	\$ 955
Ops Mil Levy	\$ -	Ops Mil Levy	\$ 320
Personal Property Tax	\$ 450	Personal Property Tax	\$ 450
4-yr old \$50,000 car		4-yr old \$50,000 car	
Total SALT	\$ 6,984	Total SALT	\$ 8,131
Mortgage Interest	\$ 12,198	Mortgage Interest	\$ 11,675
Charity	\$ 5,610	Charity	\$ 5,610
1/2 Tithing		1/2 Tithing	
Total Deductable	\$ 24,792	Total Deductable	\$ 25,416
Taxable Income	\$ 87,400	Taxable Income	\$ 86,784
Federal Tax	\$ 10,945	Federal Tax	\$ 10,809
State Tax	\$ 4,047	State Tax	\$ 4,213
Total Taxes	\$ 14,992	Total Taxes	\$ 15,022
Monthly Difference	\$ (2.50)	Annual Difference	\$ (30)

- Assumes 2% increase per annum in AGI
 - Also Standard Deduction increases \$400 per year

Tax Impacts – 4th Year of Mortgage

- By 4th year, Standard Deduction is better for both options
 - Large part due to declining Mortgage Interest each year

4th Year Federal and State Taxes			
Adding to Sales Price		District	
Adjusted Gross Income	\$ 116,733	Adjusted Gross Income	\$ 116,733
Standard Deduction	\$ 25,600		
Itemized Deduction		Itemized Deduction	
State Tax - 4.63%	\$ 4,468	State Tax - 4.63%	\$ 4,432
Real Estate Tax	\$ 2,478	Real Estate Tax	\$ 2,372
Debt Service Mil Levy	\$ -	Debt Service Mil Levy	\$ 1,033
Ops Mil Levy	\$ -	Ops Mil Levy	\$ 346
Personal Property Tax 6-yr old \$50,000 car	\$ 225	Personal Property Tax 6-yr old \$50,000 car	\$ 225
Total SALT	\$ 7,171	Total SALT	\$ 8,408
Mortgage Interest	\$ 11,702	Mortgage Interest	\$ 11,200
Charity	\$ 5,837	Charity	\$ 5,837
1/2 Tithing		1/2 Tithing	
Total Deductable	\$ 24,710	Total Deductable	\$ 25,445
Taxable Income	\$ 91,133	Taxable Income	\$ 91,133
Federal Tax	\$ 11,766	Federal Tax	\$ 11,766
State Tax	\$ 4,219	State Tax	\$ 4,219
Total Taxes	\$ 15,985	Total Taxes	\$ 15,985
Monthly Difference	\$ -	Annual Difference	\$ -

- For PITI - As the home escalates in value, so does the dollar amount of the District's Mil Levies
- For Federal and State Taxes - As Home Interest declines over the life of the loan, taking the Standard Deduction is the most economical under either option.
- Combined financial impact
 - Little difference in Federal and State Tax Impact for either option
 - Higher the price of the home, the more the negative impact over 15 years
 - Total 15-year negate impact of over (\$3,700) for Wildgrass
 - Total 15-year positive impact of \$332 for Silver Hawk if having to take PMI

