

GOLD HILL MESA COMMERCIAL TIF REVIEW

Colorado Springs Urban Renewal Authority



Economic & Planning Systems, Inc.
The Economics of Land Use

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CONDITIONS SURVEY

FINDINGS OF BLIGHT

- 8 of 11 blight factors were observed and data supported
 - (b) predominance of defective/inadequate street layout
 - (c) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
 - (d) unsanitary or unsafe conditions
 - (e) deterioration of site or other improvements
 - (f) **unusual topography or inadequate public improvements or utilities**
 - (h) **The existence of conditions that endanger life or property by fire or other causes;**
 - (j) **Environmental contamination of buildings/property;**
 - (k) the existence of health, safety, or welfare factors requiring high levels of municipal services or substantial physical underutilization or vacancy of sites, buildings, or other improvements



GOLD HILL MESA URA PLAN

PROJECT VISION

- Traditional neighborhood development with a mix of uses
- Diversity of housing types and sizes
 - Owner and renter
 - Single family, attached, and apartment
- Preservation of Golden Cycle Mill smokestack
- Public park for community events
- Open space and trails with connections to Downtown and Old Colorado City
- Fountain Creek restoration and erosion prevention



- Commercial corridor with neighborhood retail
 - Planned mix of general retail, grocery, restaurants, and hotel

GOLD HILL MESA URA PLAN

PLAN OBJECTIVES

- Implement PlanCOS
- Prevent and eliminate conditions of blight within the City of Colorado Springs
- Encourage and provide incentives for the private development of housing
- Encourage the development of projects that would not otherwise be considered financially feasible without the participation of Colorado Springs Urban Renewal Authority (CSURA)
- Enhance the current property tax revenue within the City and county with development that will increase the assessed valuation and provide additional sales tax collections throughout the city.

GOLD HILL MESA URA PLAN

PLAN GOALS AND CONFORMANCE

PlanCOS

- URA Plan directly supports 5 of 6 themes/frameworks
- **Vibrant Neighborhoods** – Newer Developing Neighborhood
 - Goal VN-2: Diversity of housing
 - Goal VN-3: Reinvest to create community and vibrancy
- **Unique Places** – Neighborhood Center
 - Goal UP-1: Enrich livability of unique, vibrant, and walkable places
 - Goal UP-2: Changes in land use, infill, reinvestment, & redevelopment
- **Strong Connections** – Suburban Streets and Modern Upgrades
 - Goal SC-4: More environmentally sustainable utilities systems
- **Renowned Culture**
 - Goal RC-1: Preserve Colorado Springs history
- **Majestic Landscapes** – Neighborhood Greenspace
 - Goal ML-1: Provide accessible, safe, sustainable parks and open space



City of Colorado Springs



2020-2024 Strategic Plan

PROJECT OVERVIEW

DETAILED PROGRAM SUMMARY

- Horizontal development project
- Program:
 - Single Family (for-sale): 212
 - Townhomes (rent): 148 units
 - Apartments: 190 units
 - Hotel: 100 rooms
 - Commercial: 71,210 sf
- Horizontal Revenues
 - Single Family: \$93,570/unit
 - Townhomes: \$55,000/unit
 - Apartments: \$20,000/unit
 - Hotel: \$15/sf
 - Grocery: \$5/sf
 - Retail: \$10–15/sq. ft.
 - **Net Sale Revenue: \$35.7M**

HORIZONTAL PROGRAM

Description	Program	Value per Lot	Total Revenue
Single Family Lots	212 units	\$93,570	\$19,836,900
Townhome Lots	148 units	\$55,000	\$8,140,000
Apartments	190 units	\$20,000	\$3,800,000
Hotel	81,030 sq. ft.	\$15	\$1,215,450
Grocery	25,810 sq. ft.	\$5	\$129,050
General Retail	69,750 sq. ft.	\$10	\$697,500
Restaurant Retail	201,043 sq. ft.	\$15	<u>\$3,015,645</u>
Gross Revenue			\$36,834,545
Net Sale Revenue	97% of gross		\$35,729,509

Source: Developer; Economic & Planning Systems

VERTICAL PROGRAM

Description	Program	Total Value
Single Family Lots	212 units	\$600,000 per unit
Townhome Lots	148 units	\$400,000 per unit
Apartments	190 units	\$240,000 per unit
Hotel	100 keys	\$90,000 per unit
Grocery	25,810 sf	\$150 per sf
General Retail	10,000 sf	\$150 per sf
Restaurant Retail	35,400 sf	\$220 per sf

Source: Developer; Economic & Planning Systems

CONSTRUCTION COSTS

LAND, SOFT, AND INFRASTRUCTURE COSTS

- Land Acquisition: \$7.4M
 - 11% of total
- Soft Costs: \$12.9M
 - 19% of total
- Site & Infrastructure Costs: \$47.7M
 - 70% of total
 - Site Costs: \$15.1M
 - Off-site costs: \$1.5M
 - Common Amenities: \$8.3M
- Total Cost: \$68.0M

Description	Amount	Units	Factor	Amount	% of Total
LAND AND SOFT COSTS					
Land				\$7,400,000	10.9%
Land Acquisition		70.0 acres		\$7,400,000	10.9%
Soft Costs				\$12,931,561	19.0%
SUBTOTAL LAND AND SOFT COSTS				\$20,331,561	29.9%
SITE AND INFRASTRUCTURE COSTS					
Site Costs				\$15,150,067	22.3%
Environmental Remediation				\$11,948,867	17.6%
Regional Storm Water Control				\$1,550,000	2.3%
Retaining Walls				\$1,651,200	2.4%
Off-site Costs				\$1,525,750	2.2%
Intersection Improvements at 21st/Broadway				\$250,000	0.4%
21st Street Widen - Broadway to Keystone				\$1,275,750	1.9%
Common Amenity Improvements				\$8,300,000	12.2%
Smokestack Repair				\$1,500,000	2.2%
Amphitheater Landscapes				\$250,000	0.4%
Amphitheater Terracing				\$1,500,000	2.2%
Trails				\$250,000	0.4%
Play Structures	3 EA		75,000	\$225,000	0.3%
Monuments/Signage	3 EA		150,000	\$450,000	0.7%
Mail Room	2,500 SF		550	\$1,375,000	2.0%
Fitness Center	5,000 SF		550	\$2,750,000	4.0%
Single Family Lot Development				\$11,154,733	16.4%
Townhome Lot Development				\$7,343,267	10.8%
Mixed Use Lot Development				\$4,202,121	6.2%
SUBTOTAL SITE AND INFRASTRUCTURE COSTS				\$47,675,938	70.1%
TOTAL DEVELOPMENT COSTS				\$68,007,499	100.0%

Source: Developer, Economic & Planning Systems

ELIGIBLE IMPROVEMENTS

GOLD HILL MESA

- Total of \$37.0M
- Environmental remediation
- On-site and off-site infrastructure improvements
- Public Amenities
 - Smokestack preservation
 - Amphitheater
 - Trails
 - Play structures
- Open Space – 43 acres

Description	Factor	Cost	% Total
Environmental Remediation		\$11,948,867	32.3%
Regional Storm Water Control		\$1,550,000	4.2%
Retaining Walls		\$1,651,200	4.5%
Intersection Improvements at 21st/Broadway		\$250,000	0.7%
21st Street Widen - Broadway to Keystone		\$1,275,750	3.4%
Smokestack Repair		\$1,500,000	4.1%
Amphitheater Landscapes		\$250,000	0.7%
Amphitheater Terracing		\$1,500,000	4.1%
Trails		\$250,000	0.7%
Play Structures		\$225,000	0.6%
Monuments/Signage		\$450,000	1.2%
Residential Lot Overdig and Contouring		\$3,876,000	10.5%
NAD Cap & Cert		\$804,667	2.2%
Open Space Land Acquisition	43 acres	\$4,545,714	12.3%
Soft Costs	54%	<u>\$6,925,127</u>	<u>18.7%</u>
Total		\$37,002,325	100.0%

Source: Developer; Economic & Planning Systems

SOURCES AND USES

SUMMARY OF SOURCE OF FUNDS: WITHOUT TIF

- Funding Sources
 - Net Land Sale Revenue: \$35.7M
 - Dedicated mill levy (through Metro District)
 - Single family: 30 mills
 - Hotel: 20 mills
 - 40 years
 - **Estimated at \$4.5M**
 - Dedicated mill levy (through BID)
 - Retail: 40 mills
 - 40 years
 - **Estimated at \$2.1M**
 - Public Improvement Fund (PIF) Sales Tax
 - 1.25% sales tax
 - 40 years
 - **Estimated at \$5.8M**

- Without TIF, the project has negative net revenue of over **\$19.9M**

Description	Amount
PERFORMANCE WITHOUT TIF	
Net Sale Revenue	\$35,729,509
PIF Sales Tax Revenue	\$5,758,293
Metro District Dedicated Mill Revenue	\$4,485,484
BID Dedicated Mill Revenue	\$2,120,049
Total Development Cost	<u>-\$68,007,499</u>
Net Revenue	-\$19,914,164
Return on Cost	-29.3%
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Metro District Mill Levy	
Single Family Mill Levy	30.000
Hotel Mill Levy	20.000
Revenue	
Total Residential	\$3,761,305
Total Hotel	\$724,179
Total	\$4,485,484
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BID Mill Levy	
Retail	40.000
Revenue	\$2,120,049
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STATIC PROJECT RETURN

SUMMARY OF SOURCES OF FUNDS: WITH TIF

Major sources include:

- Net Land Sale Revenue
 - District Mill Levy
 - BID Mill Levy
 - PIF Sales Tax
 - Property Tax Increment
 - Sales Tax Increment
- With these sources, net revenue is estimated at **\$4.2M** or a **6.2% ROC**
- ROC = (net revenues / total cost)

Description	Amount
Uses of Funds	
Land Acquisition	\$7,400,000
Soft Costs	\$12,931,561
Site Costs	\$15,150,067
Off-site Costs	\$1,525,750
Common Amenity Improvements	\$8,300,000
Single Family Lot Development	\$11,154,733
Townhome Lot Development	\$7,343,267
Mixed Use Lot Development	<u>\$4,202,121</u>
Subtotal	\$68,007,499
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Sources of Funds	
Land Sale Revenue	\$35,729,509
Property Tax Increment (PV)	\$15,191,586
Sales Tax Increment (PV)	\$8,937,221
PIF Sales Tax (PV)	\$5,758,293
District Mill Levy	\$4,485,484
BID Mill Levy	<u>\$2,120,049</u>
Subtotal	\$72,222,142
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Net Revenue	\$4,214,644
Return on Cost	6.2%

Source: Economic & Planning Systems

TIME SERIES PROJECT RETURN

WITHOUT TIF

- EPS has estimated annual cash flows based on an estimated two-year construction schedule and a three-year lot sales schedule
- Without TIF, the project has a negative IRR of -22% and a negative NPV of -\$24.3M

Description	Amount	2022	2023	2024	2025	2026
PROJECT COSTS						
Distribution						
Land Acquisition		100%	0%	0%	0%	0%
Soft Costs		50%	50%	0%	0%	0%
Site Costs		0%	100%	0%	0%	0%
Off-site Costs		0%	100%	0%	0%	0%
Common Amenity Improvements		0%	100%	0%	0%	0%
Single Family Lot Development		0%	100%	0%	0%	0%
Townhome Lot Development		0%	100%	0%	0%	0%
Mixed Use Lot Development		0%	100%	0%	0%	0%
Costs	\$68,007,499	\$13,865,780	\$54,141,718	\$0	\$0	\$0
Land Acquisition	\$7,400,000	\$7,400,000	\$0	\$0	\$0	\$0
Soft Costs	\$12,931,561	\$6,465,780	\$6,465,780	\$0	\$0	\$0
Site Costs	\$15,150,067	\$0	\$15,150,067	\$0	\$0	\$0
Off-site Costs	\$1,525,750	\$0	\$1,525,750	\$0	\$0	\$0
Common Amenity Improvements	\$8,300,000	\$0	\$8,300,000	\$0	\$0	\$0
Single Family Lot Development	\$11,154,733	\$0	\$11,154,733	\$0	\$0	\$0
Townhome Lot Development	\$7,343,267	\$0	\$7,343,267	\$0	\$0	\$0
Mixed Use Lot Development	\$4,202,121	\$0	\$4,202,121	\$0	\$0	\$0
DEVELOPMENT REVENUES						
Distribution						
Residential Land Sale		0%	0%	50%	50%	0%
Commercial Land Sale		0%	0%	0%	0%	100%
Property Tax Increment (PV)		0%	100%	0%	0%	0%
Sales Tax Increment (PV)		0%	100%	0%	0%	0%
District Mill Levy		0%	100%	0%	0%	0%
Revenues	\$45,973,285	\$0	\$10,243,777	\$15,411,797	\$15,411,797	\$4,905,916
Residential Land Sale	\$30,823,593	\$0	\$0	\$15,411,797	\$15,411,797	\$0
Commercial Land Sale	\$4,905,916	\$0	\$0	\$0	\$0	\$4,905,916
Property Tax Increment (PV)	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax Increment (PV)	\$0	\$0	\$0	\$0	\$0	\$0
PIF (PV)	\$5,758,293	\$0	\$5,758,293	\$0	\$0	\$0
District Mill Levy	\$4,485,484	\$0	\$4,485,484	\$0	\$0	\$0
NET REVENUE	-\$22,034,213	-\$13,865,780	-\$43,897,942	\$15,411,797	\$15,411,797	\$4,905,916
PRESENT VALUE	-\$24,344,992	-\$13,865,780	-\$41,807,564	\$13,978,954	\$13,313,289	\$4,036,109
INTERNAL RATE OF RETURN	-21.5%					

Source: Economic & Planning Systems

TIME SERIES PROJECT RETURN

WITH TIF

- With 100% of sales and property tax increment, the project can achieve an IRR of 6.0% and has an NPV of over \$650,000
- While target returns for horizontal land development can have a fairly wide range, the project return with TIF is estimated to be sufficient for the project to move forward.

Description	Amount	2022	2023	2024	2025	2026
PROJECT COSTS						
Distribution						
Land Acquisition		100%	0%	0%	0%	0%
Soft Costs		50%	50%	0%	0%	0%
Site Costs		0%	100%	0%	0%	0%
Off-site Costs		0%	100%	0%	0%	0%
Common Amenity Improvements		0%	100%	0%	0%	0%
Single Family Lot Development		0%	100%	0%	0%	0%
Townhome Lot Development		0%	100%	0%	0%	0%
Mixed Use Lot Development		0%	100%	0%	0%	0%
Costs	\$68,007,499	\$13,865,780	\$54,141,718	\$0	\$0	\$0
Land Acquisition	\$7,400,000	\$7,400,000	\$0	\$0	\$0	\$0
Soft Costs	\$12,931,561	\$6,465,780	\$6,465,780	\$0	\$0	\$0
Site Costs	\$15,150,067	\$0	\$15,150,067	\$0	\$0	\$0
Off-site Costs	\$1,525,750	\$0	\$1,525,750	\$0	\$0	\$0
Common Amenity Improvements	\$8,300,000	\$0	\$8,300,000	\$0	\$0	\$0
Single Family Lot Development	\$11,154,733	\$0	\$11,154,733	\$0	\$0	\$0
Townhome Lot Development	\$7,343,267	\$0	\$7,343,267	\$0	\$0	\$0
Mixed Use Lot Development	\$4,202,121	\$0	\$4,202,121	\$0	\$0	\$0
DEVELOPMENT REVENUES						
Distribution						
Residential Land Sale		0%	0%	50%	50%	0%
Commercial Land Sale		0%	0%	0%	0%	100%
Property Tax Increment (PV)		0%	100%	0%	0%	0%
Sales Tax Increment (PV)		0%	100%	0%	0%	0%
District Mill Levy		0%	100%	0%	0%	0%
BID Mill Levy		0%	100%	0%	0%	0%
Revenues	\$72,222,142	\$0	\$36,492,634	\$15,411,797	\$15,411,797	\$4,905,916
Residential Land Sale	\$30,823,593	\$0	\$0	\$15,411,797	\$15,411,797	\$0
Commercial Land Sale	\$4,905,916	\$0	\$0	\$0	\$0	\$4,905,916
Property Tax Increment (PV)	\$15,191,586	\$0	\$15,191,586	\$0	\$0	\$0
Sales Tax Increment (PV)	\$8,937,221	\$0	\$8,937,221	\$0	\$0	\$0
PIF (PV)	\$5,758,293	\$0	\$5,758,293	\$0	\$0	\$0
District Mill Levy	\$4,485,484	\$0	\$4,485,484	\$0	\$0	\$0
BID Mill Levy	\$2,120,049	\$0	\$2,120,049	\$0	\$0	\$0
NET REVENUE	\$4,214,644	-\$13,865,780	-\$17,649,085	\$15,411,797	\$15,411,797	\$4,905,916
PRESENT VALUE	\$653,919	-\$13,865,780	-\$16,808,652	\$13,978,954	\$13,313,289	\$4,036,109
INTERNAL RATE OF RETURN	6.0%					

Source: Economic & Planning Systems

TOTAL IMPACT

- Estimated total development value in 25 years
 - Single Family: \$182 million
 - Other Residential: \$150 million
 - Commercial: \$32 million

- Property Tax Increment: \$30.1 million
 - Present Value: \$15.2 million
 - Applies a 5% discount rate

- Sales Tax Increment: \$17.5 million
 - Present Value: \$8.9 million
 - 2% TIF share from City
 - 1% TIF share from County



CITY PROPERTY TAX IMPACT

- Continue to receive base value
- After the 25-year period receive about \$115,600 annually

Year	Plan Year	Co. Springs Property Tax: 3.929 mills		
		Base	Increment 1-Yr. Lag	Total
2023	1	\$616	\$0	\$616
2024	2	\$616	\$0	\$616
2025	3	\$634	\$0	\$634
2026	4	\$634	\$0	\$634
2027	5	\$653	\$35,847	\$36,500
2028	6	\$653	\$79,271	\$79,924
2029	7	\$673	\$79,271	\$79,944
2030	8	\$673	\$87,713	\$88,386
2031	9	\$693	\$87,713	\$88,406
2032	10	\$693	\$90,364	\$91,057
2033	11	\$714	\$90,364	\$91,078
2034	12	\$714	\$93,096	\$93,809
2035	13	\$735	\$93,096	\$93,831
2036	14	\$735	\$95,910	\$96,645
2037	15	\$757	\$95,910	\$96,667
2038	16	\$757	\$98,809	\$99,566
2039	17	\$780	\$98,809	\$99,589
2040	18	\$780	\$101,795	\$102,575
2041	19	\$803	\$101,795	\$102,599
2042	20	\$803	\$104,872	\$105,676
2043	21	\$827	\$104,872	\$105,700
2044	22	\$827	\$108,042	\$108,870
2045	23	\$852	\$108,042	\$108,894
2046	24	\$852	\$111,308	\$112,160
2047	25	<u>\$878</u>	<u>\$111,308</u>	<u>\$112,186</u>
Total		\$18,353	\$1,978,207	\$1,996,561
Future Tax Revenue				
2048		\$878	\$114,672	\$115,550

Source: Economic & Planning Systems

CITY SALES TAX IMPACT

- General retail estimated \$300 sales per sq. ft.
- Restaurant retail estimated at \$500 sales per sq. ft.
- 2.0% TIF Share
- TIF: \$11.6 million
- Present Value: \$6.0 million

Year	Plan Yr.	Stabilized Sales %	General Retail Taxable Sales ^[1] \$300/sf	Rest. Retail Taxable Sales ^[1] \$500/sf	Total Ann. Sales	Colorado Springs Sales Tax				City TIF Share Present Val. 5.00%
						TOPS 0.10%	PSST 0.40%	2C Road 0.57%	TIF Share 2.00%	
2023	1	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	2	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2025	3	25%	\$195,075	\$1,150,943	\$1,346,018	\$1,346	\$5,384	\$7,672	\$26,920	\$24,418
2026	4	50%	\$1,193,859	\$7,043,768	\$8,237,627	\$8,238	\$32,951	\$46,954	\$164,753	\$142,319
2027	5	75%	\$2,435,472	\$14,369,287	\$16,804,759	\$16,805	\$67,219	\$95,787	\$336,095	\$276,506
2028	6	100%	\$3,312,242	\$19,542,230	\$22,854,473	\$22,854	\$91,418	\$130,270	\$457,089	\$358,142
2029	7	100%	\$3,378,487	\$19,933,075	\$23,311,562	\$23,312	\$93,246	\$132,876	\$466,231	\$347,909
2030	8	100%	\$3,446,057	\$20,331,736	\$23,777,793	\$23,778	\$95,111	\$135,533	\$475,556	\$337,969
2031	9	100%	\$3,514,978	\$20,738,371	\$24,253,349	\$24,253	\$97,013	\$138,244	\$485,067	\$328,312
2032	10	100%	\$3,585,278	\$21,153,138	\$24,738,416	\$24,738	\$98,954	\$141,009	\$494,768	\$318,932
2033	11	100%	\$3,656,983	\$21,576,201	\$25,233,184	\$25,233	\$100,933	\$143,829	\$504,664	\$309,820
2034	12	100%	\$3,730,123	\$22,007,725	\$25,737,848	\$25,738	\$102,951	\$146,706	\$514,757	\$300,968
2035	13	100%	\$3,804,725	\$22,447,880	\$26,252,605	\$26,253	\$105,010	\$149,640	\$525,052	\$292,369
2036	14	100%	\$3,880,820	\$22,896,837	\$26,777,657	\$26,778	\$107,111	\$152,633	\$535,553	\$284,015
2037	15	100%	\$3,958,436	\$23,354,774	\$27,313,210	\$27,313	\$109,253	\$155,685	\$546,264	\$275,901
2038	16	100%	\$4,037,605	\$23,821,870	\$27,859,475	\$27,859	\$111,438	\$158,799	\$557,189	\$268,018
2039	17	100%	\$4,118,357	\$24,298,307	\$28,416,664	\$28,417	\$113,667	\$161,975	\$568,333	\$260,360
2040	18	100%	\$4,200,724	\$24,784,273	\$28,984,997	\$28,985	\$115,940	\$165,214	\$579,700	\$252,921
2041	19	100%	\$4,284,739	\$25,279,959	\$29,564,697	\$29,565	\$118,259	\$168,519	\$591,294	\$245,695
2042	20	100%	\$4,370,434	\$25,785,558	\$30,155,991	\$30,156	\$120,624	\$171,889	\$603,120	\$238,675
2043	21	100%	\$4,457,842	\$26,301,269	\$30,759,111	\$30,759	\$123,036	\$175,327	\$615,182	\$231,856
2044	22	100%	\$4,546,999	\$26,827,294	\$31,374,293	\$31,374	\$125,497	\$178,833	\$627,486	\$225,231
2045	23	100%	\$4,637,939	\$27,363,840	\$32,001,779	\$32,002	\$128,007	\$182,410	\$640,036	\$218,796
2046	24	100%	\$4,730,698	\$27,911,117	\$32,641,815	\$32,642	\$130,567	\$186,058	\$652,836	\$212,545
2047	25	100%	\$4,825,312	\$28,469,339	\$33,294,651	\$33,295	\$133,179	\$189,780	\$665,893	\$206,472
Total Ann. #						\$581,692	\$2,326,768	\$3,315,644	\$11,633,840	\$5,958,148
						\$24,237	\$96,949	\$138,152	\$484,743	\$248,256

^[1]Annual escalation of 2.0%

Source: Economic & Planning Systems

SUMMARY

- Key factors of blight include brownfield redevelopment with significant environmental remediation and unusual topography with steep slopes
- Total eligible improvement costs are estimated at \$37.0M
- PV of total TIF revenue estimated at \$24.1M
- Developer return with TIF is estimated at 6.2% ROC and 6.0% IRR

