

Draft Report

El Paso County Impact Report

Hancock Commons Urban Renewal Area

The Economics of Land Use



Prepared for:

Colorado Springs Urban Renewal Authority

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1. Introduction

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

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

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

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

Urban Renewal Plan Description

The Hancock Commons Urban Renewal Area ("URA" or "Plan Area") is located in the City of Colorado Springs in El Paso County. The Plan Area is comprised of one parcel, currently divided by Hancock Expressway, on approximately 18.59 acres of land and adjacent right of way. The boundaries of the Plan Area include a portion of Hancock Expressway that divides the parcel and Chelton Road to the east as illustrated in red below in **Figure 1**.

Figure 1. Hancock Commons URA Boundary



2. Development Program

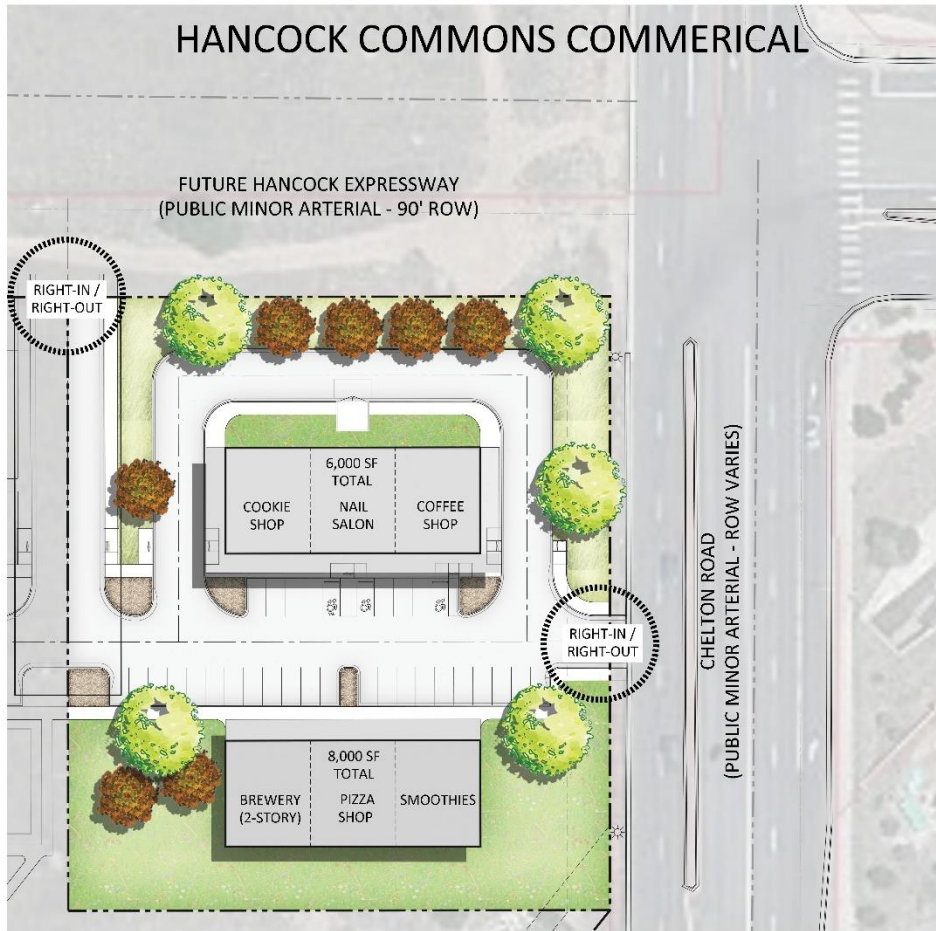
The proposed project for the Plan Area is a residential development with a commercial site, as shown in the site plan illustrated in **Figure 2**. The residential development includes approximately 150 apartment units and 87 townhome units. The townhome units will be for-sale and priced for attainable housing for the local workforce. The commercial site will include approximately 14,000 square feet of retail restaurant, and neighborhood services, illustrated in **Figure 3**. The current plan calls for this development program, but the actual units and square footage may see minor changes over the course of buildout.

Infrastructure improvements are a significant component of the development plan. Hancock Expressway will be re-routed and aligned along the north edge of the property. This realignment improves the street network and connectivity to the surrounding neighborhoods and will include an updated drainage system with a gravity sewer to serve the development on site.

Figure 2. Hancock Commons Site Plan



Figure 3. Hancock Commons Commercial Site Plan



3. County Fiscal Impact

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

Property Taxes

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

Assumptions

To estimate potential property tax revenues of Hancock Commons, EPS has estimated market values for townhomes at \$400,000 per unit and multifamily units at \$220,000 per unit. These estimated values are based on the capitalized value of the project. Additionally, based on El Paso assessor data the estimated market values fall within the market valuation of similar product type in Colorado Springs. Commercial space market values were estimated at \$300 per square foot based on recently built comparable neighborhood centers in Colorado Springs. EPS has also assumed an annual growth rate in property values of 3.0 percent per year, which is reassessed on odd-number years in accordance with Colorado Legislature.

Property Tax Base

The current property taxes paid on the vacant land in the proposed Hancock Commons are roughly \$129,160 per year, shown below in **Table 1**. This base reflects the total value of the vacant land parcel. The assessment rate and mill levy are two universally used factors that generate revenue streams that are a portion of total valuation. The assessment rate for commercial property in Colorado is 29 percent. Note that per State regulations, vacant land is classified as commercial (29 percent) while multifamily is assessed as residential (7.15 percent). The 2021 mill levies for all parcels in the taxing district that includes the proposed Urban Renewal Area are shown in **Table 2**. The total mill levy in 2021 was 65.5550, which includes 7.9200 mills for El Paso County (including El Paso County Road and Bridge share).

Table 1. Property Base Value, 2021

Parcel	Land	Improvements	Total
Actual Value			
HANCOCK EXPY	\$445,379	\$0	\$445,379
Subtotal	\$445,379	\$0	\$445,379
Assessment Rate			
HANCOCK EXPY	29.00%	29.00%	
Assessed Value			
HANCOCK EXPY	\$129,160	\$0	\$129,160
Subtotal	\$129,160	\$0	\$129,160

Source: El Paso County Assessor; Economic & Planning Systems

Table 2. Mill Levies, 2021

Description	Mill Levy
EL PASO COUNTY	7.7550
EPC ROAD & BRIDGE SHARE	0.1650
CITY OF COLORADO SPRINGS	4.2790
EPC-COLORADO SPGS ROAD & BRIDGE SHARE	0.1650
HARRISON SCHOOL NO 2	48.3940
PIKES PEAK LIBRARY	3.8550
SOUTHEASTERN COLO WATER CONSERVANCY	0.9420
EL PASO COUNTY CONSERVATION	0.0000
TOTAL	65.5550

Source: El Paso County Assessor; Economic & Planning Systems

Property Tax Increment

Based on the assumptions stated above and information from the developer, the cumulative value of the residential development is estimated at \$67.4 million, and commercial development is estimated at \$4.2 million, shown in **Table 3**. The future property taxes due to new development is referred to as the “Increment.” The development of Hancock Commons over the next 25 years is expected to generate approximately \$9.9 million in property tax increment over the 25-year period, which equates to an average of approximately \$410,600 per year, as shown in **Table 4**. The present value of these revenues translates to a total of \$5.1 million, based on a discount rate of 5.0 percent. Following the 25-year period, the parcels included in Plan Area are expected to generate approximately \$557,700 in total property taxes, which includes approximately \$12,300 that is attributed to the base values and \$545,500 that is generated by the increment or new development.

Table 3. Development Value, 2021-2046

Year	Plan Yr.	TH Prog.	TH Val.	MF Prog.	MF Val.	Retail Center	Value per SF	CUMULATIVE TOTAL	
		87 units	\$400,000/unit	150 units	\$220,000/unit	14,000 sf	\$300/sf	Residential	Commercial
2021	0	0	\$0	0	\$0	0	\$0	\$0	\$0
2022	1	0	\$0	0	\$0	0	\$0	\$0	\$0
2023	2	40	\$16,000,000	50	\$11,000,000	0	\$0	\$27,000,000	\$0
2024	3	46	\$18,400,000	50	\$11,000,000	14,000	\$4,200,000	\$56,400,000	\$4,200,000
2025	4	0	\$0	50	\$11,000,000	0	\$0	\$67,400,000	\$4,200,000
2026	5	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2027	6	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2028	7	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2029	8	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2030	9	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2031	10	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2032	11	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2033	12	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2034	13	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2035	14	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2036	15	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2037	16	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2038	17	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2039	18	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2040	19	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2041	20	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2042	21	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2043	22	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2044	23	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2045	24	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000
2046	25	0	\$0	0	\$0	0	\$0	\$67,400,000	\$4,200,000

[1] Reflects a biennial reassessment.
Source: Economic & Planning Systems

Table 4. Property Tax Increment, 2021-2046

Year	Plan Yr.	Cml. Actual Statutory Val.			Assessed Value (1-Yr. Lag) ^[1]				Property Tax Increment (1-Yr. Lag) 65.555 mill levy	TIF Present Value 5.00%
		Base Val. 1.5% Ann. Esc.	New Res. Val. 1.5% Ann. Esc.	New Com. Val. 1.5% Ann. Esc.	Base Val. 29.00%	New Res. 7.15%	New Com. 29.00%	Increment Val.		
2021	0	\$445,379	\$0	\$0	\$129,160	\$0	\$0	\$0	\$0	\$0
2022	1	\$452,060	\$0	\$0	\$129,160	\$0	\$0	\$0	\$0	\$0
2023	2	\$458,841	\$27,816,075	\$0	\$131,097	\$0	\$0	\$0	\$0	\$0
2024	3	\$465,723	\$58,976,260	\$4,391,849	\$131,097	\$1,988,849	\$0	\$1,857,752	\$0	\$0
2025	4	\$472,709	\$71,535,903	\$4,457,727	\$135,060	\$4,216,803	\$1,273,636	\$5,355,379	\$121,785	\$105,202
2026	5	\$479,800	\$72,608,942	\$4,524,593	\$135,060	\$4,216,803	\$1,273,636	\$5,355,379	\$351,072	\$288,828
2027	6	\$486,997	\$73,698,076	\$4,592,462	\$139,142	\$5,191,539	\$1,312,132	\$6,364,529	\$351,072	\$275,074
2028	7	\$494,302	\$74,803,547	\$4,661,349	\$139,142	\$5,191,539	\$1,312,132	\$6,364,529	\$417,227	\$311,341
2029	8	\$501,716	\$75,925,600	\$4,731,269	\$143,347	\$5,348,454	\$1,351,791	\$6,556,897	\$417,227	\$296,515
2030	9	\$509,242	\$77,064,484	\$4,802,238	\$143,347	\$5,348,454	\$1,351,791	\$6,556,897	\$429,837	\$290,931
2031	10	\$516,881	\$78,220,452	\$4,874,271	\$147,680	\$5,510,111	\$1,392,649	\$6,755,079	\$429,837	\$277,077
2032	11	\$524,634	\$79,393,758	\$4,947,386	\$147,680	\$5,510,111	\$1,392,649	\$6,755,079	\$442,829	\$271,859
2033	12	\$532,503	\$80,584,665	\$5,021,596	\$152,144	\$5,676,654	\$1,434,742	\$6,959,252	\$442,829	\$258,913
2034	13	\$540,491	\$81,793,435	\$5,096,920	\$152,144	\$5,676,654	\$1,434,742	\$6,959,252	\$456,214	\$254,037
2035	14	\$548,598	\$83,020,336	\$5,173,374	\$156,742	\$5,848,231	\$1,478,107	\$7,169,595	\$456,214	\$241,940
2036	15	\$556,827	\$84,265,641	\$5,250,975	\$156,742	\$5,848,231	\$1,478,107	\$7,169,595	\$470,003	\$237,383
2037	16	\$565,180	\$85,529,626	\$5,329,739	\$161,480	\$6,024,993	\$1,522,783	\$7,386,296	\$470,003	\$226,079
2038	17	\$573,657	\$86,812,570	\$5,409,685	\$161,480	\$6,024,993	\$1,522,783	\$7,386,296	\$484,209	\$221,822
2039	18	\$582,262	\$88,114,759	\$5,490,831	\$166,361	\$6,207,099	\$1,568,809	\$7,609,547	\$484,209	\$211,259
2040	19	\$590,996	\$89,436,480	\$5,573,193	\$166,361	\$6,207,099	\$1,568,809	\$7,609,547	\$498,844	\$207,280
2041	20	\$599,861	\$90,778,027	\$5,656,791	\$171,389	\$6,394,708	\$1,616,226	\$7,839,546	\$498,844	\$197,409
2042	21	\$608,859	\$92,139,698	\$5,741,643	\$171,389	\$6,394,708	\$1,616,226	\$7,839,546	\$513,921	\$193,692
2043	22	\$617,992	\$93,521,793	\$5,827,768	\$176,569	\$6,587,988	\$1,665,076	\$8,076,496	\$513,921	\$184,468
2044	23	\$627,262	\$94,924,620	\$5,915,184	\$176,569	\$6,587,988	\$1,665,076	\$8,076,496	\$529,455	\$180,994
2045	24	\$636,671	\$96,348,490	\$6,003,912	\$181,906	\$6,787,110	\$1,715,403	\$8,320,608	\$529,455	\$172,375
2046	25	\$646,221	\$97,793,717	\$6,093,970	\$181,906	\$6,787,110	\$1,715,403	\$8,320,608	\$545,457	\$169,129
Total									\$9,854,463	\$5,073,607

[1] Reflects a biennial reassessment.
Source: Economic & Planning Systems

Taxing District Impact

El Paso County Impact

El Paso County property tax revenues, which include El Paso County (7.7550 mills) and El Paso County Road and Bridge (0.1650 mills), are based on the combined 7.92 mill levy. Existing property taxes refer to the “Base” and would not be deferred. The County’s share of the current property tax base is \$1,023, shown in **Table 5**. The base amount is expected to grow at 3.0 percent biannually as reassessments by the county assessor occur every odd year, resulting in an annual amount of \$1,441 for El Paso County in year 25 and generating a total of approximately \$31,554 over the 25-year period. After the 25-year period is complete, in 2047, the county’s share of property tax revenues will increase to approximately \$67,400 annually due to the new development. This includes approximately \$65,900 generated by the property tax increment from Hancock Commons.

Table 5. El Paso County Property Tax Revenue, 2021-2046

Year	Plan Year	El Paso County Property Tax: 7.92 mills		Total
		Base	Increment 1-Yr. Lag	
2021	0	\$1,023	\$0	\$1,023
2022	1	\$1,023	\$0	\$1,023
2023	2	\$1,038	\$0	\$1,038
2024	3	\$1,038	\$0	\$1,038
2025	4	\$1,070	\$14,713	\$15,783
2026	5	\$1,070	\$42,415	\$43,484
2027	6	\$1,102	\$42,415	\$43,517
2028	7	\$1,102	\$50,407	\$51,509
2029	8	\$1,135	\$50,407	\$51,542
2030	9	\$1,135	\$51,931	\$53,066
2031	10	\$1,170	\$51,931	\$53,100
2032	11	\$1,170	\$53,500	\$54,670
2033	12	\$1,205	\$53,500	\$54,705
2034	13	\$1,205	\$55,117	\$56,322
2035	14	\$1,241	\$55,117	\$56,359
2036	15	\$1,241	\$56,783	\$58,025
2037	16	\$1,279	\$56,783	\$58,062
2038	17	\$1,279	\$58,499	\$59,778
2039	18	\$1,318	\$58,499	\$59,817
2040	19	\$1,318	\$60,268	\$61,585
2041	20	\$1,357	\$60,268	\$61,625
2042	21	\$1,357	\$62,089	\$63,447
2043	22	\$1,398	\$62,089	\$63,488
2044	23	\$1,398	\$63,966	\$65,364
2045	24	\$1,441	\$63,966	\$65,407
2046	25	<u>\$1,441</u>	<u>\$65,899</u>	<u>\$67,340</u>
Total		\$31,554	\$1,190,563	\$1,222,117
Future Tax Revenue				
	2047	\$1,484	\$65,899	\$67,383

Source: Economic & Planning Systems

Harrison School No. 2 Impact

The Plan Area is located within the Harrison District Number 2, which has a 48.3940 mill levy. The School District’s share of the current property tax base is \$6,251, shown in **Table 6**. The base amount is expected to grow at 3.0 percent biannually as to reassessments by the county assessor occur every odd year, which results in an annual amount of \$8,803 in year 25 and generating a total of approximately \$192,809 over the 25-year period. After the 25-year period is complete, the school district’s share of property tax revenues will increase to approximately \$411,700 annually due to the new development. This includes approximately \$402,700 generated by the property tax increment from Hancock Commons.

Table 6. School District Property Tax Revenue, 2021-2046

Year	Plan Year	School Dist. Property Tax: 48.394 mills		Total
		Base	Increment 1-Yr. Lag	
2021	0	\$6,251	\$0	\$6,251
2022	1	\$6,251	\$0	\$6,251
2023	2	\$6,344	\$0	\$6,344
2024	3	\$6,344	\$0	\$6,344
2025	4	\$6,536	\$89,904	\$96,440
2026	5	\$6,536	\$259,168	\$265,704
2027	6	\$6,734	\$259,168	\$265,902
2028	7	\$6,734	\$308,005	\$314,739
2029	8	\$6,937	\$308,005	\$314,942
2030	9	\$6,937	\$317,314	\$324,252
2031	10	\$7,147	\$317,314	\$324,461
2032	11	\$7,147	\$326,905	\$334,052
2033	12	\$7,363	\$326,905	\$334,268
2034	13	\$7,363	\$336,786	\$344,149
2035	14	\$7,585	\$336,786	\$344,371
2036	15	\$7,585	\$346,965	\$354,551
2037	16	\$7,815	\$346,965	\$354,780
2038	17	\$7,815	\$357,452	\$365,267
2039	18	\$8,051	\$357,452	\$365,503
2040	19	\$8,051	\$368,256	\$376,307
2041	20	\$8,294	\$368,256	\$376,551
2042	21	\$8,294	\$379,387	\$387,681
2043	22	\$8,545	\$379,387	\$387,932
2044	23	\$8,545	\$390,854	\$399,399
2045	24	\$8,803	\$390,854	\$399,657
2046	25	\$8,803	\$402,667	\$411,471
Total		\$192,809	\$7,274,760	\$7,467,569
Future Tax Revenue				
	2047	\$9,069	\$402,667	\$411,737

Source: Economic & Planning Systems

City of Colorado Springs Impact

The City of Colorado Springs has a 4.279 mill levy. The city’s share of the current property tax base is \$553, shown in **Table 7**. The base amount is expected to grow at 3.0 percent biannually as reassessments by the county assessor occur every odd year. This results in an annual amount of \$778 in year 25 and generating a total of approximately \$17,048 over the 25-year period. After the 25-year period is complete, the city’s share of property tax revenues will increase to approximately \$36,400 annually due to the new development. This includes approximately \$35,600 generated by the property tax increment from Hancock Commons.

Table 7. City of Colorado Springs Property Tax Revenue, 2021-2046

Year	Plan Year	Co. Springs Property Tax: 4.279 mills		
		Base	Increment 1-Yr. Lag	Total
2021	0	\$553	\$0	\$553
2022	1	\$553	\$0	\$553
2023	2	\$561	\$0	\$561
2024	3	\$561	\$0	\$561
2025	4	\$578	\$7,949	\$8,527
2026	5	\$578	\$22,916	\$23,494
2027	6	\$595	\$22,916	\$23,511
2028	7	\$595	\$27,234	\$27,829
2029	8	\$613	\$27,234	\$27,847
2030	9	\$613	\$28,057	\$28,670
2031	10	\$632	\$28,057	\$28,689
2032	11	\$632	\$28,905	\$29,537
2033	12	\$651	\$28,905	\$29,556
2034	13	\$651	\$29,779	\$30,430
2035	14	\$671	\$29,779	\$30,449
2036	15	\$671	\$30,679	\$31,349
2037	16	\$691	\$30,679	\$31,370
2038	17	\$691	\$31,606	\$32,297
2039	18	\$712	\$31,606	\$32,318
2040	19	\$712	\$32,561	\$33,273
2041	20	\$733	\$32,561	\$33,295
2042	21	\$733	\$33,545	\$34,279
2043	22	\$756	\$33,545	\$34,301
2044	23	\$756	\$34,559	\$35,315
2045	24	\$778	\$34,559	\$35,338
2046	25	\$778	\$35,604	\$36,382
Total		\$17,048	\$643,235	\$660,283
Future Tax Revenue				
	2047	\$802	\$35,604	\$36,406

Source: Economic & Planning Systems

Pikes Peak Library District Impact

The Plan Area is located within the Pikes Peak Library District, which has a 3.8550 mill levy. The Library District’s share of the current property tax base is \$498, shown in **Table 8**. The base amount is expected to grow at 3.0 percent biannually as reassessments by the county assessor occur every odd year. This results in an annual amount of \$701 in year 25 and generating a total of approximately \$15,359 over the 25-year period. After the 25-year period is complete, the library district’s share of property tax revenues will increase to approximately \$32,800 annually due to the new development. This includes approximately \$32,100 generated by the property tax increment from Hancock Commons.

Table 8. Library Property Tax Revenue, 2021-2046

Year	Plan Year	Library Property Tax: 3.855 mills		
		Base	Increment 1-Yr. Lag	Total
2021	0	\$498	\$0	\$498
2022	1	\$498	\$0	\$498
2023	2	\$505	\$0	\$505
2024	3	\$505	\$0	\$505
2025	4	\$521	\$7,162	\$7,682
2026	5	\$521	\$20,645	\$21,166
2027	6	\$536	\$20,645	\$21,181
2028	7	\$536	\$24,535	\$25,072
2029	8	\$553	\$24,535	\$25,088
2030	9	\$553	\$25,277	\$25,829
2031	10	\$569	\$25,277	\$25,846
2032	11	\$569	\$26,041	\$26,610
2033	12	\$587	\$26,041	\$26,627
2034	13	\$587	\$26,828	\$27,414
2035	14	\$604	\$26,828	\$27,432
2036	15	\$604	\$27,639	\$28,243
2037	16	\$623	\$27,639	\$28,261
2038	17	\$623	\$28,474	\$29,097
2039	18	\$641	\$28,474	\$29,115
2040	19	\$641	\$29,335	\$29,976
2041	20	\$661	\$29,335	\$29,996
2042	21	\$661	\$30,221	\$30,882
2043	22	\$681	\$30,221	\$30,902
2044	23	\$681	\$31,135	\$31,816
2045	24	\$701	\$31,135	\$31,836
2046	25	\$701	\$32,076	\$32,777
Total		\$15,359	\$579,497	\$594,856
Future Tax Revenue				
	2047	\$722	\$32,076	\$32,798

Source: Economic & Planning Systems

Southeastern Colorado Water Conservancy District Impact

The Plan Area is located within the Southeastern Colorado Water Conservancy District, which has a 0.9420 mill levy. The Water Conservancy District’s share of the current property tax base is \$122, shown in **Table 9**. The base amount is expected to grow at 3.0 percent biannually as reassessments by the county assessor occur every odd year. This results in an annual amount of \$171 in year 25 and generating a total of approximately \$3,753 over the 25-year period. After the 25-year period is complete, the district’s share of property tax revenues will increase to approximately \$8,000 annually due to the new development. This includes approximately \$7,800 generated by the property tax increment from Hancock Commons.

Table 9. Water Conservancy Property Tax Revenue, 2021-2046

Year	Plan Year	Water Conserv. Property Tax: 0.942 mills		Total
		Base	Increment 1-Yr. Lag	
2021	0	\$122	\$0	\$122
2022	1	\$122	\$0	\$122
2023	2	\$123	\$0	\$123
2024	3	\$123	\$0	\$123
2025	4	\$127	\$1,750	\$1,877
2026	5	\$127	\$5,045	\$5,172
2027	6	\$131	\$5,045	\$5,176
2028	7	\$131	\$5,995	\$6,126
2029	8	\$135	\$5,995	\$6,130
2030	9	\$135	\$6,177	\$6,312
2031	10	\$139	\$6,177	\$6,316
2032	11	\$139	\$6,363	\$6,502
2033	12	\$143	\$6,363	\$6,507
2034	13	\$143	\$6,556	\$6,699
2035	14	\$148	\$6,556	\$6,703
2036	15	\$148	\$6,754	\$6,901
2037	16	\$152	\$6,754	\$6,906
2038	17	\$152	\$6,958	\$7,110
2039	18	\$157	\$6,958	\$7,115
2040	19	\$157	\$7,168	\$7,325
2041	20	\$161	\$7,168	\$7,330
2042	21	\$161	\$7,385	\$7,546
2043	22	\$166	\$7,385	\$7,551
2044	23	\$166	\$7,608	\$7,774
2045	24	\$171	\$7,608	\$7,779
2046	25	<u>\$171</u>	<u>\$7,838</u>	<u>\$8,009</u>
Total		\$3,753	\$141,605	\$145,358
Future Tax Revenue				
	2047	\$177	\$7,838	\$8,015

Source: Economic & Planning Systems

Sales Taxes

CSURA is expected to keep 1.0 percent of city sales tax and 0.50 percent of county sales tax revenues generated by sales on-site. This is the increment sales tax, which includes all sales tax generated from the new retail development on parcels included in the Plan Area. These revenues are necessary to allow the project to move forward and will be used to fund eligible improvements.

Assumptions

To estimate potential sales tax revenues of Hancock Commons, EPS estimated annual sales per square foot of development based on the anticipated retail type. The 14,000 square feet of general retail is estimated to achieve \$350 per square foot. This average is based on the anticipated mix of food and beverage users with average annual sales ranging from \$300 to \$600 per square foot. The nail salon is assumed to not have taxable sales since it is a service and majority of the sales are non-taxable. EPS has also assumed an annual growth rate in sales of 2.0 percent per year.

The 2022 El Paso County sales tax rate is 1.23 percent, of which 0.50 percent will be allocated for TIF for the 25-year period. The remaining 0.50 percent will go into the county's general fund and the 0.23 percent is dedicated to Public Safety Critical Needs.

The 2022 City of Colorado Springs sales tax rate is 3.07 percent, of which 1.0 percent will be allocated for TIF for the 25-year period. The remaining 1.0 percent will go into the city's general fund and the other 1.07 percent is dedicated sales for specific uses including 0.10 percent for Trails, Open Space and Parks (TOPS), 0.40 percent for Public Safety Sales Tax (PSST), and 0.57 percent for 2C Road Tax.

El Paso County Sales Tax Increment

The future sales taxes due to new retail development is referred to as the "Increment." The development of Hancock Commons is expected to generate approximately \$722,500 in county sales tax increment from the 0.50 percent county commitment over the 25-year period, which equates to an average of approximately \$30,100 per year, as shown below in **Table 10**. The present value of these revenues translates to a total of \$382,200, based on a discount rate of 5.0 percent.

The revenues that El Paso County will retain over this timeframe, includes the 0.23 percent of sales tax in the Plan Area for Public Safety Critical Needs, which has a sunset date of January 1, 2029. If this sales tax were to be extended past the sunset of 2029, it would generate a total of \$332,400 over the 25-year period or an average of \$13,900 per year. If it is not extended past the sunset date, it will generate a total of \$55,200 through 2028. Additionally, El Paso County will

receive 0.50 percent sales tax, which flows into the general fund. This is estimated to generate a total of \$722,500 over the TIF period or an average of \$30,100 per year.

Table 10. El Paso County Sales Tax Increment, 2021-2046

Year	Plan Yr.	Retail Center Tax. Sales ^[1] \$14,000 sf \$350/sf	El Paso County Sales Tax			County TIF Share Present Val. 5.00%
			Public Safety 0.23%	Gen. Fund 0.500%	TIF Share 0.500%	
2021	0	\$0	\$0	\$0	\$0	\$0
2022	1	\$0	\$0	\$0	\$0	\$0
2023	2	\$0	\$0	\$0	\$0	\$0
2024	3	\$2,548,980	\$5,863	\$12,745	\$12,745	\$11,560
2025	4	\$5,199,919	\$11,960	\$26,000	\$26,000	\$22,459
2026	5	\$5,303,918	\$12,199	\$26,520	\$26,520	\$21,818
2027	6	\$5,409,996	\$12,443	\$27,050	\$27,050	\$21,194
2028	7	\$5,518,196	\$12,692	\$27,591	\$27,591	\$20,589
2029	8	\$5,628,560	\$12,946	\$28,143	\$28,143	\$20,001
2030	9	\$5,741,131	\$13,205	\$28,706	\$28,706	\$19,429
2031	10	\$5,855,954	\$13,469	\$29,280	\$29,280	\$18,874
2032	11	\$5,973,073	\$13,738	\$29,865	\$29,865	\$18,335
2033	12	\$6,092,534	\$14,013	\$30,463	\$30,463	\$17,811
2034	13	\$6,214,385	\$14,293	\$31,072	\$31,072	\$17,302
2035	14	\$6,338,672	\$14,579	\$31,693	\$31,693	\$16,808
2036	15	\$6,465,446	\$14,871	\$32,327	\$32,327	\$16,327
2037	16	\$6,594,755	\$15,168	\$32,974	\$32,974	\$15,861
2038	17	\$6,726,650	\$15,471	\$33,633	\$33,633	\$15,408
2039	18	\$6,861,183	\$15,781	\$34,306	\$34,306	\$14,968
2040	19	\$6,998,407	\$16,096	\$34,992	\$34,992	\$14,540
2041	20	\$7,138,375	\$16,418	\$35,692	\$35,692	\$14,124
2042	21	\$7,281,142	\$16,747	\$36,406	\$36,406	\$13,721
2043	22	\$7,426,765	\$17,082	\$37,134	\$37,134	\$13,329
2044	23	\$7,575,300	\$17,423	\$37,877	\$37,877	\$12,948
2045	24	\$7,726,806	\$17,772	\$38,634	\$38,634	\$12,578
2046	25	\$7,881,343	\$18,127	\$39,407	\$39,407	\$12,219
Total			\$332,353	\$722,507	\$722,507	\$382,202
Ann. #			\$13,848	\$30,104	\$30,104	\$15,925

^[1]Annual escalation of 2.0%

Source: Economic & Planning Systems

City of Colorado Springs Sales Tax Increment

The future sales taxes due to new retail development is referred to as the "Increment." The development of Hancock Commons is expected to generate approximately \$1.4 million in city sales tax increment over the 25-year period, which equates to an average of approximately \$60,200 per year, as shown in **Table 11**. This is based on a commitment of the 1.0 percent sales tax to the URA.

This revenue stream, when discounted at 5.0 percent, translates to a present value of \$764,400.

Revenues to be retained by the city over this timeframe include 1.0 percent for the general fund and 1.07 percent sales tax for three dedicated uses from sales activity within Hancock Commons. The 1.0 percent for the general fund will generate a total of \$1.4 million or an average of \$60,200 per year. The 0.10 percent TOPS will generate a total of approximately \$144,500 or an average of \$6,000 per year. The 0.40 percent sales tax for PSST will generate approximately \$578,000 or an average of \$24,100 per year. The 0.57 percent sales tax for 2C Road will generate approximately \$823,700 or an average of \$34,300 per year.

Table 11. City of Colorado Springs Sales Tax Increment, 2021-2046

Year	Plan Yr.	Retail Center Tax. Sales ^[1] \$14,000 sf \$350/sf	Colorado Springs Sales Tax					City TIF Share Present Val. 5.00%
			TOPS 0.10%	PSST 0.40%	2C Road 0.57%	Gen. Fund 1.00%	TIF Share 1.00%	
2021	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	3	\$2,548,980	\$2,549	\$10,196	\$14,529	\$25,490	\$25,490	\$23,120
2025	4	\$5,199,919	\$5,200	\$20,800	\$29,640	\$51,999	\$51,999	\$44,919
2026	5	\$5,303,918	\$5,304	\$21,216	\$30,232	\$53,039	\$53,039	\$43,635
2027	6	\$5,409,996	\$5,410	\$21,640	\$30,837	\$54,100	\$54,100	\$42,389
2028	7	\$5,518,196	\$5,518	\$22,073	\$31,454	\$55,182	\$55,182	\$41,178
2029	8	\$5,628,560	\$5,629	\$22,514	\$32,083	\$56,286	\$56,286	\$40,001
2030	9	\$5,741,131	\$5,741	\$22,965	\$32,724	\$57,411	\$57,411	\$38,858
2031	10	\$5,855,954	\$5,856	\$23,424	\$33,379	\$58,560	\$58,560	\$37,748
2032	11	\$5,973,073	\$5,973	\$23,892	\$34,047	\$59,731	\$59,731	\$36,669
2033	12	\$6,092,534	\$6,093	\$24,370	\$34,727	\$60,925	\$60,925	\$35,622
2034	13	\$6,214,385	\$6,214	\$24,858	\$35,422	\$62,144	\$62,144	\$34,604
2035	14	\$6,338,672	\$6,339	\$25,355	\$36,130	\$63,387	\$63,387	\$33,615
2036	15	\$6,465,446	\$6,465	\$25,862	\$36,853	\$64,654	\$64,654	\$32,655
2037	16	\$6,594,755	\$6,595	\$26,379	\$37,590	\$65,948	\$65,948	\$31,722
2038	17	\$6,726,650	\$6,727	\$26,907	\$38,342	\$67,266	\$67,266	\$30,816
2039	18	\$6,861,183	\$6,861	\$27,445	\$39,109	\$68,612	\$68,612	\$29,935
2040	19	\$6,998,407	\$6,998	\$27,994	\$39,891	\$69,984	\$69,984	\$29,080
2041	20	\$7,138,375	\$7,138	\$28,553	\$40,689	\$71,384	\$71,384	\$28,249
2042	21	\$7,281,142	\$7,281	\$29,125	\$41,503	\$72,811	\$72,811	\$27,442
2043	22	\$7,426,765	\$7,427	\$29,707	\$42,333	\$74,268	\$74,268	\$26,658
2044	23	\$7,575,300	\$7,575	\$30,301	\$43,179	\$75,753	\$75,753	\$25,896
2045	24	\$7,726,806	\$7,727	\$30,907	\$44,043	\$77,268	\$77,268	\$25,156
2046	25	\$7,881,343	\$7,881	\$31,525	\$44,924	\$78,813	\$78,813	\$24,438
Total			\$144,501	\$578,006	\$823,658	\$1,445,015	\$1,445,015	\$764,405
Ann. #			\$6,021	\$24,084	\$34,319	\$60,209	\$60,209	\$31,850

^[1]Annual escalation of 2.0%

Source: Economic & Planning Systems

Summary of Impact

Cost of Service and Infrastructure Costs

Development projects such as Hancock Commons will generate fiscal and economic impacts to El Paso County, with factors that are both positive and negative. Some uses, such as the residential (which accounts for a majority of the floor area in the development) will have an impact on County services and costs.

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

For the purposes of this analysis, EPS has provided detailed calculations of the TIF revenues to be used to service debt for Hancock Commons, for each of the taxing entities within the county. The analysis assumes that the modest additional service cost to the County associated with the future development within the City of Colorado Springs is balanced by additional revenue sources, such as intergovernmental transfers, fees for services, and the additional visitor spend referenced above. The County is expected to have no financial exposure for infrastructure costs or other capital improvements, at time of construction or on an on-going basis. Future infrastructure costs that are associated with development on parcels included in the Plan boundary are anticipated to be financed by the developer initially, and by the Colorado Springs Urban Renewal Authority and the City of Colorado Springs in the future.

It's important to note that the project will alleviate the burden on infrastructure commitments by the city, county, or Pikes Peak RTA. The proposed infrastructure, specifically the Hancock Expressway realignment, provides a regional transportation solution and could enable other governing entities to allocate their financial resources to other projects.

Summary of the Net County Impact

Based on the analysis included in this report, EPS anticipates that the impact of the proposed Hancock Commons Urban Renewal Plan on El Paso County will be positive. The County will continue to receive the base property tax amount of \$1,023 annually with biannual escalation. By 2047, the end of the 25-year tax increment financing period, the County's portion of property tax is expected to increase to \$67,400 per year as a result of the new development. The County can expect to receive this approximate level of revenue upon the sunseting of the TIF

in 2047. All of the sales tax generated in the Plan Area will be net new. The County will collect 0.50 percent of sales tax for the general fund and 0.23 percent for Public Safety Critical Needs in the Plan Area during the 25-year period. Following the TIF timeframe, the County will collect the full 1.23 percent of sales tax. The estimated taxable sales in 2047 are estimated at \$8.0, which would generate approximately \$98,900 annually in county sales tax revenue.

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