

BRISTOW-LOWELL

Colorado Springs
Urban Renewal Authority



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

730 17th Street, Suite 630 ■ Denver, CO 80202
303.623.3557 ■ www.epsys.com

OVERVIEW

- URA Plan
- Financial Analysis
 - Development Program
 - Construction Cost
 - “But-for” analysis
- City Impact
- Summary



STUDY AREA

- 6 parcels in Downtown Colorado Springs
- 5.75 acres plus adjacent ROW
- Single ownership – QOF Lowell Commons LLC
- All parcels are vacant with no buildings



- ▭ Bristow Lowell URA Boundary
- ▭ Bristow Lowell URA Parcels
- ▭ Parcel

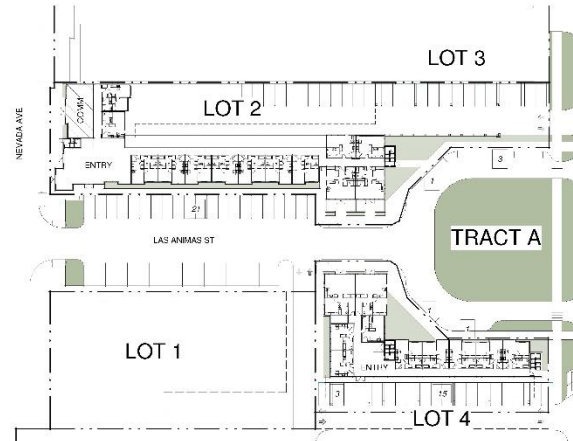
0 0.05 0.1 Miles

BRISTOW-LOWELL URA PLAN

PROJECT VISION

- Phase 1: Bristow House: 185 units
- Phase 2: Lowell Commons: 185-205 units
- Attainable housing
 - Rents restricted to 70%-110% AMI
 - Average of 100% AMI
- Additional improvements
 - Sidewalks, streetscape, landscaping, and public park

BRISTOW HOUSE



LOWELL COMMONS



BRISTOW–LOWELL URA PLAN

PLAN OBJECTIVES

- Implement PlanCOS and HomeCOS
- Prevent and eliminate conditions of blight within the City of Colorado Springs
- Encourage and provide incentives for the private development of affordable 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



BRISTOW–LOWELL URA PLAN

PLAN GOALS & CONFORMANCE

- PlanCOS
 - **Vibrant Neighborhoods: Downtown**
 - Diversity of housing types, styles, and price points
 - Empower neighborhoods to reinvest in order to create community, vibrancy, and to address their specific vision and needs
 - **Unique Places: Downtown**
 - Embrace changes in land use, infill, reinvestment, & redevelopment to respond to shifts in the market
 - Continue to grow and support Downtown as an inclusive, mixed use, cultural, and economic heart of the region
 - **Thriving Economy: Critical Support Typology**
 - Build on quality of place and existing competitive advantages
 - Focus on developing areas in the city to maximize investments and preserve open space
- Lowell Neighborhood Concept Plan
 - PUD zoning, infrastructure phasing, street cross sections
- HomeCOS
 - 2A: facilitate affordable and attainable housing as infill development
 - 2C: create public–private partnerships to increase affordable rental housing
- COS Strategic Plan
 - Building community and collaborative relationships



FINANCIAL ANALYSIS

PROGRAM OVERVIEW

- 390 units in two phases
- Affordable project with an average of 100% AMI
- Rents ranging from \$1,274/unit to \$2,575/unit
- Average rental rates of \$1,984/unit or \$3.81/sf
- Average unit size 521 sf

Description	AMI	Units	% Total	Avg. SF per Unit	RBA	Rent per Unit	Rent per SF	Annual Rent
Bristow House								
Studio	70%	1	0.5%	411	411	\$1,274	\$3.10	\$15,291
Studio	80%	10	5.4%	411	4,110	\$1,456	\$3.54	\$174,750
1-Bedroom	80%	8	4.3%	513	4,104	\$1,561	\$3.04	\$149,820
1-Bedroom	100%	142	76.8%	513	72,846	\$1,951	\$3.80	\$3,324,131
2-Bedroom	110%	24	13.0%	621	14,904	\$2,575	\$4.15	\$741,510
Total/Average	100%	185	100.0%	521	96,375	\$1,984	\$3.81	\$4,405,502
Lowell Commons¹								
Studio	70%	1	0.5%	411	411	\$1,326	\$3.23	\$15,908
Studio	80%	11	5.4%	411	4,521	\$1,515	\$3.69	\$199,991
1-Bedroom	86%	9	4.4%	513	4,617	\$1,624	\$3.17	\$175,357
1-Bedroom	100%	157	76.6%	513	80,541	\$2,030	\$3.96	\$3,823,753
2-Bedroom	110%	27	13.2%	621	16,767	\$2,679	\$4.31	\$867,900
Total/Average	104%	205	100.0%	521	106,857	\$2,066	\$3.96	\$5,082,909

¹Annual rent escalation of 2.0% applied for 2 years

Source: Developer; Economic & Planning Systems

ELIGIBLE IMPROVEMENTS

- Total of approximately \$5.9 million in eligible improvements
- Value of affordable units
 - 10% of each phase at 70%–80% AMI valued at \$2.3 million
- Historic bridge preservation
- Dog park and pickleball courts
- ROW improvements, utilities, streetscape, & public art

Eligible Improvements	Factor	Total	% Total
Bristow House			
ROW Writers Way/Victoria St		\$973,000	33.1%
Curb, Gutter, and Utilities		\$500,000	17.0%
Historic Bridge		\$50,000	1.7%
Grading for Dog Park and Pickleball Courts		\$250,000	8.5%
Land Planning/Landscaping		\$50,000	1.7%
Public Art		\$50,000	1.7%
Value of Affordable Units	10% of units	<u>\$1,065,395</u>	<u>36.3%</u>
Subtotal		\$2,938,395	100.0%
Lowell Commons			
Roads and Streetscape		\$500,000	17.1%
Utilities		\$650,000	22.3%
Exterior Improvements		\$500,000	17.1%
Public Art		\$50,000	1.7%
Value of Affordable Units	10% of units	<u>\$1,219,843</u>	<u>41.8%</u>
Subtotal		\$2,919,843	100.0%
Total		\$5,858,238	

Source: Developer; Economic & Planning Systems

BRISTOW HOUSE

CONSTRUCTION COSTS

BRISTOW HOUSE

- Land: \$7.9M
 - \$42,700/unit or \$82/sf
- Hard Costs: \$38.6M
 - Hard costs (without eligible imp.): \$36.7M
 - \$198,500/unit or \$381/sf
 - Hard costs for eligible imp.: \$1.9M
 - \$10,100/unit or \$19/sf
- Soft Costs: \$16.5M
 - \$89,100/unit or \$171/sf
- Total Cost: \$63.0M
 - \$340,000/unit
 - \$654/sf

Description	Total	per RBA 96,375	per Unit 185	% of Total
Land Cost				
Land Cost	\$ 7,900,000	\$ 82	\$ 42,703	12.5%
Land Cost	4.6 acres \$ 7,900,000	\$ 82	\$ 42,703	12.5%
Total Land Cost	\$ 7,900,000	\$ 82	\$ 42,703	12.5%
Hard Costs				
Public Improvements	\$ 1,873,000	\$ 19	\$ 10,124	3.0%
ROW Writers Way/Victoria St	\$ 973,000	\$ 10	\$ 5,259	1.5%
Curb, Gutter, and Utilities	\$ 500,000	\$ 5	\$ 2,703	0.8%
Historic Bridge	\$ 50,000	\$ 1	\$ 270	0.1%
Grading for Dog Park and Pickleball Courts	\$ 250,000	\$ 3	\$ 1,351	0.4%
Land Planning/Landscaping	\$ 50,000	\$ 1	\$ 270	0.1%
Public Art	\$ 50,000	\$ 1	\$ 270	0.1%
Development Cost	\$ 36,731,136	\$ 381	\$198,547	58.3%
Sitework	\$ 4,812,284	\$ 50	\$ 26,012	7.6%
Development Cost	\$ 27,944,350	\$ 290	\$151,051	44.4%
Parking Structure	\$ 2,000,000	\$ 21	\$ 10,811	3.2%
Contingency	5.7% of HC \$ 1,974,502	\$ 20	\$ 10,673	3.1%
Total Hard Costs	\$ 38,604,136	\$ 401	\$208,671	61.3%
Soft Costs				
Soft Costs	\$ 16,486,565	\$ 171	\$ 89,117	26.2%
Soft Costs	\$ 2,485,127	\$ 26	\$ 13,433	3.9%
Tap & Impact Fees	\$ 393,637	\$ 4	\$ 2,128	0.6%
General Conditions	\$ 3,293,366	\$ 34	\$ 17,802	5.2%
Indirect Cost	\$ 783,525	\$ 8	\$ 4,235	1.2%
Financing Cost	\$ 2,803,000	\$ 29	\$ 15,151	4.4%
Construction Mgmt. Fee	\$ 2,521,045	\$ 26	\$ 13,627	4.0%
Developer Contingency	5.1% of HC \$ 1,974,502	\$ 20	\$ 10,673	3.1%
Development Fee	5.8% of HC \$ 2,232,363	\$ 23	\$ 12,067	3.5%
Subtotal Soft Costs	\$ 16,486,565	\$ 171	\$ 89,117	26.2%
TOTAL CONSTRUCTION COST	\$ 55,090,701	\$ 572	\$297,788	87.5%
TOTAL COST WITH LAND COST	\$ 62,990,701	\$ 654	\$340,490	100.0%

STATIC PERFORMANCE

BRISTOW HOUSE

- Effective Gross Income: \$4.4M/year
 - Rental income: \$4.4M
 - Other income: \$190,000
 - Vacancy: 5.0%

- Operating Expenditures: \$1.0M/year
 - 23% of gross income

- Net Operating Income: \$3.3M

Type	Lease Rate per month	Total Revenue		% of Total	
		Monthly	Annual		
REVENUE					
Rental Income	185 units	\$ 1,984 per unit	\$ 367,125	\$ 4,405,502	95.9% of PGI
Studio	1 units	\$ 1,274 per unit	\$ 1,274	\$ 15,291	0.3% of PGI
Studio	10 units	\$ 1,456 per unit	\$ 14,563	\$ 174,750	3.8% of PGI
1-Bedroom	8 units	\$ 1,561 per unit	\$ 12,485	\$ 149,820	3.3% of PGI
1-Bedroom	142 units	\$ 1,951 per unit	\$ 277,011	\$ 3,324,131	72.3% of PGI
2-Bedroom	24 units	\$ 2,575 per unit	\$ 61,793	\$ 741,510	16.1% of PGI
Other Income			\$ 15,833	\$ 190,000	4.1% of PGI
Other Income/RUBS ^[1]			\$ 7,708	\$ 92,500	2.0% of PGI
Parking ^[2]	65 units	\$ 125.00 per space	\$ 8,125	\$ 97,500	2.1% of PGI
POTENTIAL GROSS INCOME (PGI)			\$ 382,958	\$ 4,595,502	100.0% of PGI
Net Rental Income			\$ (25,756)	\$ (309,075)	-6.7% of PGI
Less: Residential Vacancy	5.00% per year		\$ (18,356)	\$ (220,275)	-4.8% of PGI
Less: 80% AMI Utility Reserve			\$ (7,400)	\$ (88,800)	-1.9% of PGI
EFFECTIVE GROSS INCOME (EGI)			\$ 364,602	\$ 4,375,227	95.2% of PGI
EXPENDITURES					
Variable Expenses		\$ 2,625 per unit	\$ (40,469)	\$ (485,625)	11.1% of EGI
Payroll	185 units	\$ 1,300 per unit	\$ (20,042)	\$ (240,500)	5.5% of EGI
Utilities	185 units	\$ 250 per unit	\$ (3,854)	\$ (46,250)	1.1% of EGI
Maintenance	185 units	\$ 700 per unit	\$ (10,792)	\$ (129,500)	3.0% of EGI
Marketing	185 units	\$ 125 per unit	\$ (1,927)	\$ (23,125)	0.5% of EGI
Administrative	185 units	\$ 250 per unit	\$ (3,854)	\$ (46,250)	1.1% of EGI
Non-Variable Expenses		\$ 2,791 per unit	\$ (43,033)	\$ (516,394)	11.8% of EGI
Property Taxes	185 units	\$ 1,419 per unit	\$ (21,875)	\$ (262,500)	6.0% of EGI
Insurance	185 units	\$ 425 per unit	\$ (6,552)	\$ (78,625)	1.8% of EGI
Replacement Reserves	185 units	\$ 250 per unit	\$ (3,854)	\$ (46,250)	1.1% of EGI
Management Fee	2.9% of EGI	\$ 697 per unit	\$ (10,752)	\$ (129,019)	2.9% of EGI
TOTAL EXPENDITURES		\$ 5,416 per unit	\$ (83,502)	\$ (1,002,019)	22.9% of EGI
NET OPERATING INCOME (NOI)			\$ 273,701	\$ 3,284,408	75.1% of EGI



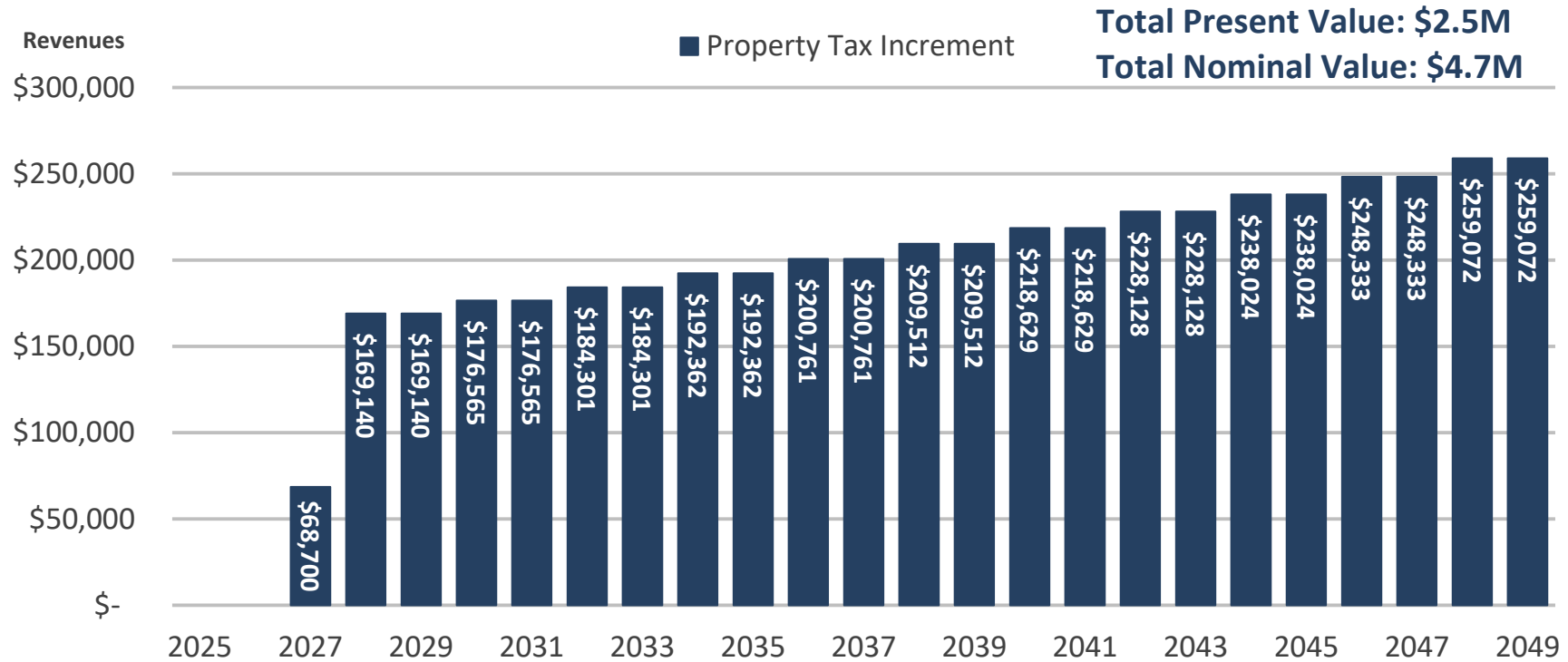
STATIC PERFORMANCE: WITH AND WITHOUT TIF

BRISTOW HOUSE

- Target hurdle rate: 6.33% YOC
 - NOI/Cost
- In order to achieve that hurdle rate, net project costs need to be reduced by \$11.1M
- Current costs are estimated at \$63.0M
- The present value of future TIF revenue is estimated at \$2.5M
- With this amount, the project achieves a YOC of 5.43%

NET OPERATING INCOME (NOI)	\$ 273,701	\$ 3,284,408
HURDLE RATE		6.33%
ACTUAL YIELD ON COST (YOC)		5.21%
NET DEV. COST TARGET		\$ 51,886,379
ESTIMATED DEVELOPMENT COST		\$ 62,990,701
GAP: COST		\$ 11,104,322
PERFORMANCE WITH SUBSIDY		
Net Operating Income		\$ 3,284,408
Project Cost		
Total Development Cost		\$ 62,990,701
Less: Present Value of Property TIF		\$ 2,483,839
Net Cost		\$ 60,506,862
YIELD ON COST (YOC) WITH SUBSIDY		5.43%

TIF REVENUE: PROPERTY TAX INCREMENT



Source: Economic & Planning Systems

LOWELL COMMONS

CONSTRUCTION COSTS

LOWELL COMMONS

- Land: \$6.5M
 - \$31,700/unit or \$67/sf

- Hard Costs: \$41.5M
 - Hard costs (without eligible imp.): \$39.8M
 - \$194,300/unit or \$413/sf
 - Hard costs for eligible imp.: \$1.7M
 - \$8,300/unit or \$18/sf

- Soft Costs: \$17.1M
 - \$83,200/unit or \$160/sf

- Total Cost: \$65.1M
 - \$317,600/unit
 - \$609/sf

Description	Total	per RBA 106,857	per Unit 205	% of Total
Land Cost				
Land Cost	\$ 6,500,000	\$ 61	\$ 31,707	10.0%
Land Cost	1.2 acres	\$ 61	\$ 31,707	10.0%
Subtotal Land Cost	\$ 6,500,000	\$ 61	\$ 31,707	10.0%
Hard Costs				
Public Improvements	\$ 1,700,000	\$ 16	\$ 8,293	2.6%
Roads and Streetscape	\$ 500,000	\$ 5	\$ 2,439	0.8%
Utilities	\$ 650,000	\$ 6	\$ 3,171	1.0%
Exterior Improvements	\$ 500,000	\$ 5	\$ 2,439	0.8%
Public Art	\$ 50,000	\$ 0	\$ 244	0.1%
Development Cost	\$ 39,834,274	\$ 373	\$ 194,314	61.2%
Sitework	\$ 5,006,700	\$ 47	\$ 24,423	7.7%
Development Cost	\$ 27,373,302	\$ 256	\$ 133,528	42.1%
Parking Structure	\$ 5,400,000	\$ 51	\$ 26,341	8.3%
Contingency	6.0% of HC	\$ 19	\$ 10,021	3.2%
Total Hard Costs	\$ 41,534,274	\$ 389	\$ 202,606	63.8%
Soft Costs				
Soft Costs	\$ 17,062,435	\$ 160	\$ 83,231	26.2%
Soft Costs	\$ 2,585,526	\$ 24	\$ 12,612	4.0%
Tap & Impact Fees	\$ 409,540	\$ 4	\$ 1,998	0.6%
General Conditions	\$ 3,426,418			
Indirect Cost	\$ 815,179			
Financing Cost	\$ 2,916,241	\$ 27	\$ 14,226	4.5%
Construction Mgmt. Fee	\$ 2,622,895	\$ 25	\$ 12,795	4.0%
Development Contingency	\$ 2,054,272			
Development Fee	5.4% of HC	\$ 21	\$ 10,890	3.4%
Subtotal Soft Costs	\$ 17,062,435	\$ 160	\$ 83,231	26.2%
TOTAL CONSTRUCTION COST	\$ 58,596,709	\$ 548	\$ 285,838	90.0%
TOTAL COST WITH LAND COST	\$ 65,096,709	\$ 609	\$ 317,545	100.0%

Source: Developer; Economic & Planning Systems



STATIC PERFORMANCE

LOWELL COMMONS

- Effective Gross Income: \$5.1M/year
 - Rental income: \$5.1M
 - Other income: \$321,000
 - Vacancy: 5.0%
- Operating Expenditures: \$1.2M/year
 - 23% of gross income
- Net Operating Income: \$4.0M

Type	Lease Rate per month	Total Revenue		% of Total		
		Monthly	Annual			
REVENUE						
Rental Income	205 units	\$ 2,066	per unit	\$ 423,576	\$ 5,082,909	94.1% of PGI
Studio	1 units	\$ 1,326	per unit	\$ 1,326	\$ 15,908	0.3% of PGI
Studio	11 units	\$ 1,515	per unit	\$ 16,666	\$ 199,991	3.7% of PGI
1-Bedroom	9 units	\$ 1,624	per unit	\$ 14,613	\$ 175,357	3.2% of PGI
1-Bedroom	157 units	\$ 2,030	per unit	\$ 318,646	\$ 3,823,753	70.8% of PGI
2-Bedroom	27 units	\$ 2,679	per unit	\$ 72,325	\$ 867,900	16.1% of PGI
Other Income				\$ 26,740	\$ 320,877	5.9% of PGI
Other Income ^[1]				\$ 8,020	\$ 96,237	1.8% of PGI
Parking ^[2]	144 units	\$ 130.00	per space	\$ 18,720	\$ 224,640	4.2% of PGI
POTENTIAL GROSS INCOME (PGI)				\$ 450,316	\$ 5,403,786	100.0% of PGI
Net Rental Income				\$ (21,179)	\$ (254,145)	-4.7% of PGI
Less: Residential Vacancy	5.00%	per year		\$ (21,179)	\$ (254,145)	-4.7% of PGI
EFFECTIVE GROSS INCOME (EGI)				\$ 429,137	\$ 5,149,641	95.3% of PGI
EXPENDITURES						
Variable Expenses		\$ 2,785	per unit	\$ (47,575)	\$ (570,897)	11.1% of EGI
Payroll	205 units	\$ 1,379	per unit	\$ (23,561)	\$ (282,730)	5.5% of EGI
Utilities	205 units	\$ 265	per unit	\$ (4,531)	\$ (54,371)	1.1% of EGI
Maintenance	205 units	\$ 743	per unit	\$ (12,687)	\$ (152,239)	3.0% of EGI
Marketing	205 units	\$ 133	per unit	\$ (2,265)	\$ (27,186)	0.5% of EGI
Administrative	205 units	\$ 265	per unit	\$ (4,531)	\$ (54,371)	1.1% of EGI
Non-Variable Expenses		\$ 2,957	per unit	\$ (50,513)	\$ (606,162)	11.8% of EGI
Property Taxes	205 units	\$ 1,505	per unit	\$ (25,716)	\$ (308,593)	6.0% of EGI
Insurance	205 units	\$ 451	per unit	\$ (7,703)	\$ (92,431)	1.8% of EGI
Replacement Reserves	205 units	\$ 265	per unit	\$ (4,531)	\$ (54,371)	1.1% of EGI
Management Fee	2.9% of EGI	\$ 735	per unit	\$ (12,564)	\$ (150,767)	2.9% of EGI
TOTAL EXPENDITURES				\$ (98,088)	\$ (1,177,059)	22.9% of EGI
NET OPERATING INCOME (NOI)				\$ 331,049	\$ 3,972,582	77.1% of EGI

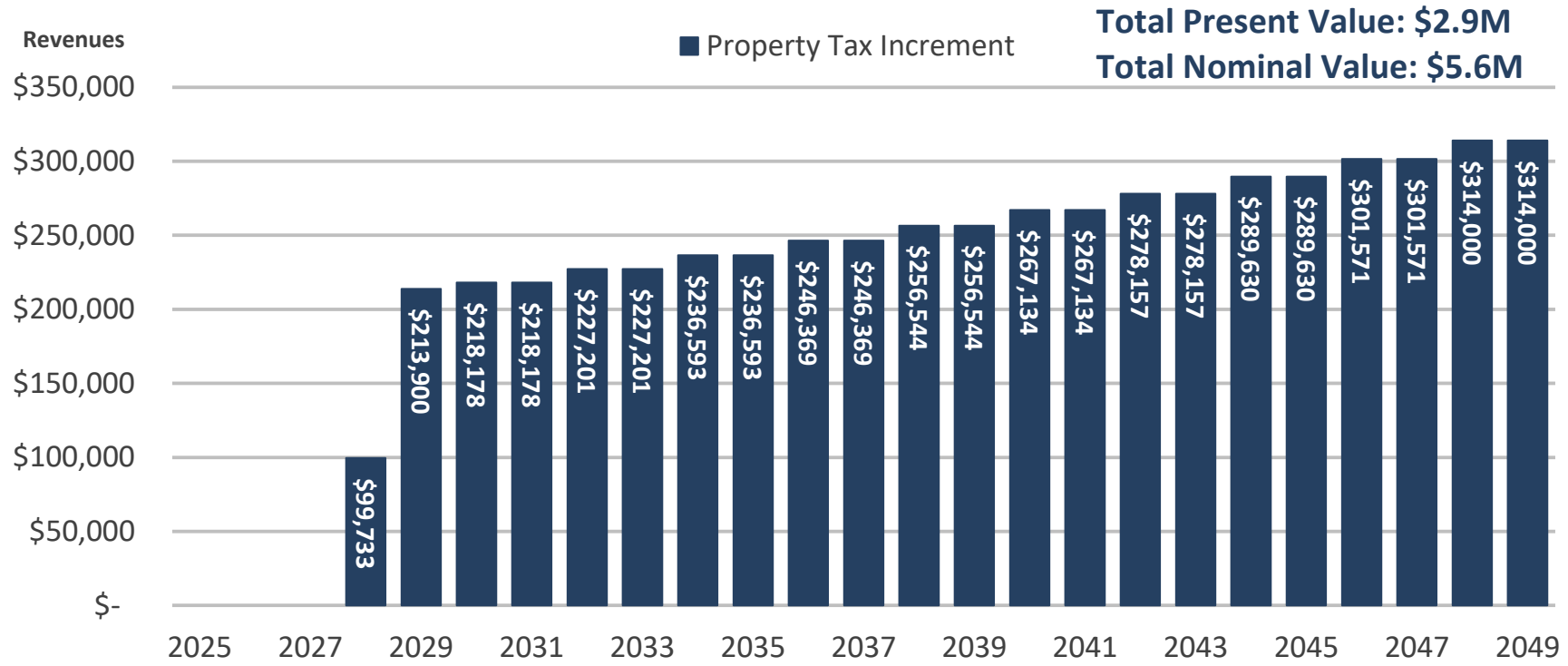
STATIC PERFORMANCE: WITH AND WITHOUT TIF

LOWELL COMMONS

- Target hurdle rate: 6.33% YOC
 - NOI/Cost
- In order to achieve that hurdle rate, net project costs need to be reduced by \$2.4M
- Current costs are estimated at \$65.1M
- The present value of future TIF revenue is estimated at \$2.9M
- With this amount, the project achieves a YOC of 6.38%

HURDLE RATE	6.33%
ACTUAL YIELD ON COST (YOC)	6.10%
NET DEV. COST TARGET	\$ 62,758,013
ESTIMATED DEVELOPMENT COST	\$ 65,096,709
GAP: COST	\$ 2,338,696
PERFORMANCE WITH SUBSIDY	
Net Operating Income	\$ 3,972,582
Project Cost	
Total Development Cost	\$ 65,096,709
Less: Present Value of Property TIF	\$ 2,878,263
Net Cost	\$ 62,218,446
YIELD ON COST (YOC) WITH SUBSIDY	6.38%

TIF REVENUE: PROPERTY TAX INCREMENT



Source: Economic & Planning Systems

CITY IMPACT

CITY PROPERTY TAX IMPACT

- Current mill levy of 3.579
- 100% of the increment will be pledged to the project
- City will continue to receive base valuation
 - About \$2,500 in 2025
- After the 25-year period, the City will receive about \$42,400 annually due to the development of Lowell-Bristow

Year	Plan Year	Co. Springs Property Tax: 3.579 mills		
		Base	Increment 1-Yr. Lag	Total
2025	1	\$2,515	\$0	\$2,515
2026	2	\$2,515	\$0	\$2,515
2027	3	\$2,565	\$4,515	\$7,080
2028	4	\$2,565	\$17,670	\$20,235
2029	5	\$2,617	\$25,173	\$27,790
2030	6	\$2,617	\$25,942	\$28,559
2031	7	\$2,669	\$25,942	\$28,611
2032	8	\$2,669	\$27,044	\$29,713
2033	9	\$2,722	\$27,044	\$29,766
2034	10	\$2,722	\$28,191	\$30,913
2035	11	\$2,777	\$28,191	\$30,967
2036	12	\$2,777	\$29,385	\$32,162
2037	13	\$2,832	\$29,385	\$32,217
2038	14	\$2,832	\$30,629	\$33,461
2039	15	\$2,889	\$30,629	\$33,518
2040	16	\$2,889	\$31,924	\$34,813
2041	17	\$2,947	\$31,924	\$34,871
2042	18	\$2,947	\$33,273	\$36,219
2043	19	\$3,006	\$33,273	\$36,278
2044	20	\$3,006	\$34,677	\$37,683
2045	21	\$3,066	\$34,677	\$37,743
2046	22	\$3,066	\$36,139	\$39,205
2047	23	\$3,127	\$36,139	\$39,266
2048	24	\$3,127	\$37,662	\$40,789
2049	25	\$3,190	\$37,662	\$40,851
Total		\$70,653	\$677,088	\$747,741
Future Tax Revenue				
	2050	\$3,190	\$39,247	\$42,437

Source: Economic & Planning Systems

SUMMARY

- Supports COS Comprehensive Plan goals and Affordable and Attainable Housing Plan strategies
- “But For” Project Gap
 - Given the inclusion of the cost of eligible benefits and affordable rents, there is a gap, which fulfills the “but for” case
 - Eligible costs total \$5.9 million
 - All units restricted to 70%–110% AMI
 - Static proforma identifies a gap closure target of approximately \$13.4 million for both phases
 - Project TIF revenues will be approximately \$5.3 million for both phases

