

ODYSSEY AT NORTH WEBER URA

City of Colorado Springs

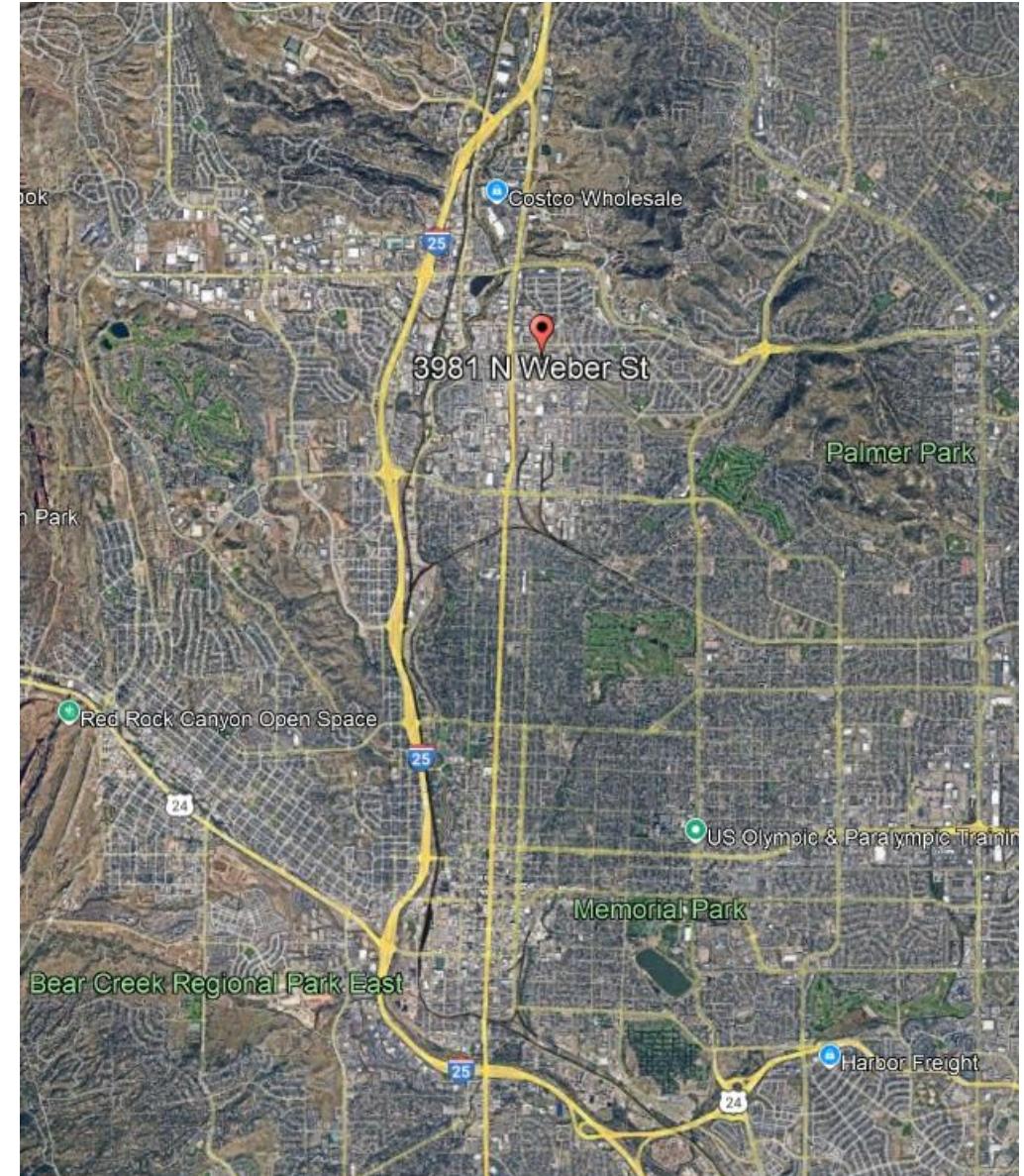


**Economic & Planning
Systems, Inc.**
The Economics of Land Use

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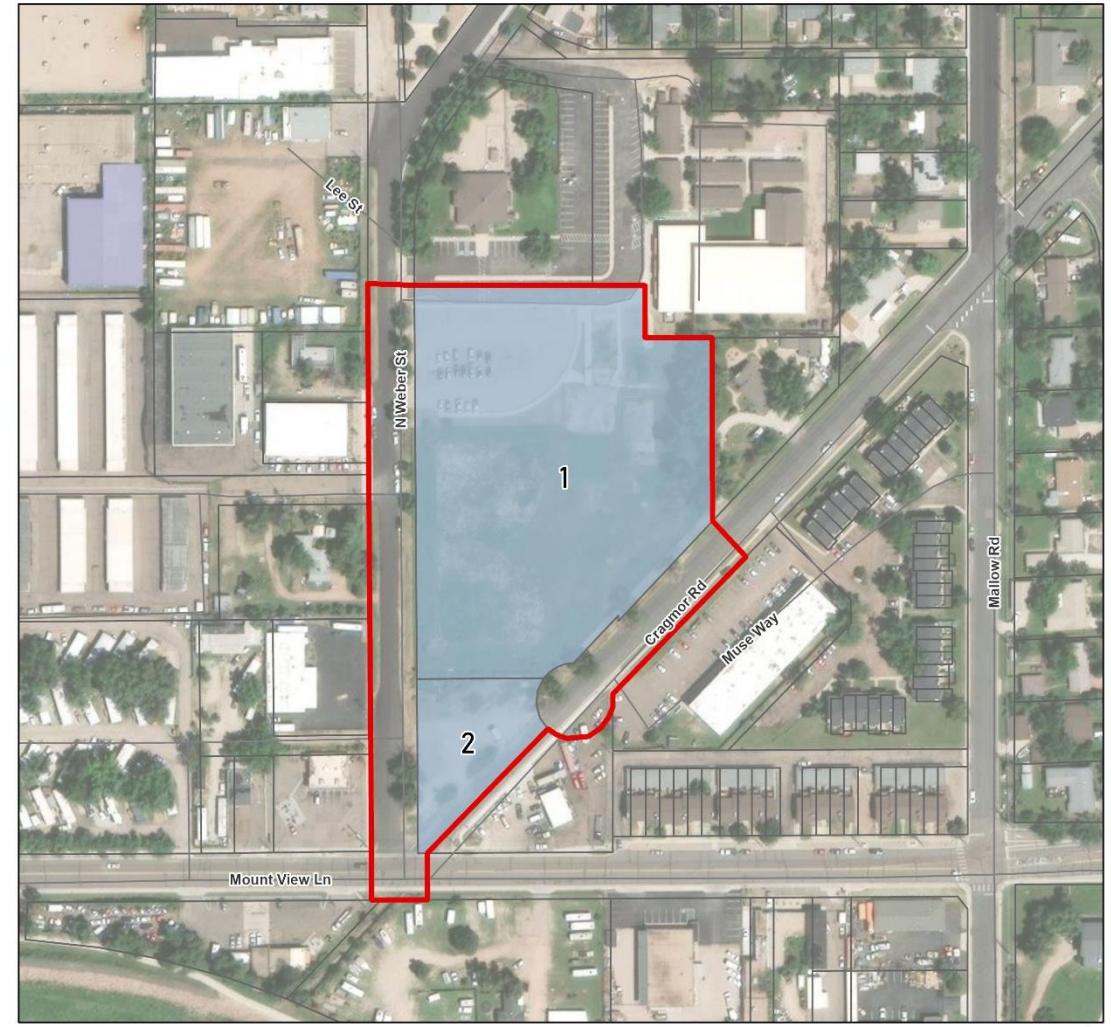
OVERVIEW

- URA Plan
- Financial Analysis
 - Development Program
 - Construction Cost
 - Eligible Improvements
 - “But-for” analysis
 - Property Tax Increment
- Tax District Impact
- Summary



STUDY AREA

- 4.4 acres and adjacent ROW in northern Colorado Springs
- Single ownership – Weber Investors LLC
- Site is currently vacant – former small office buildings were demolished

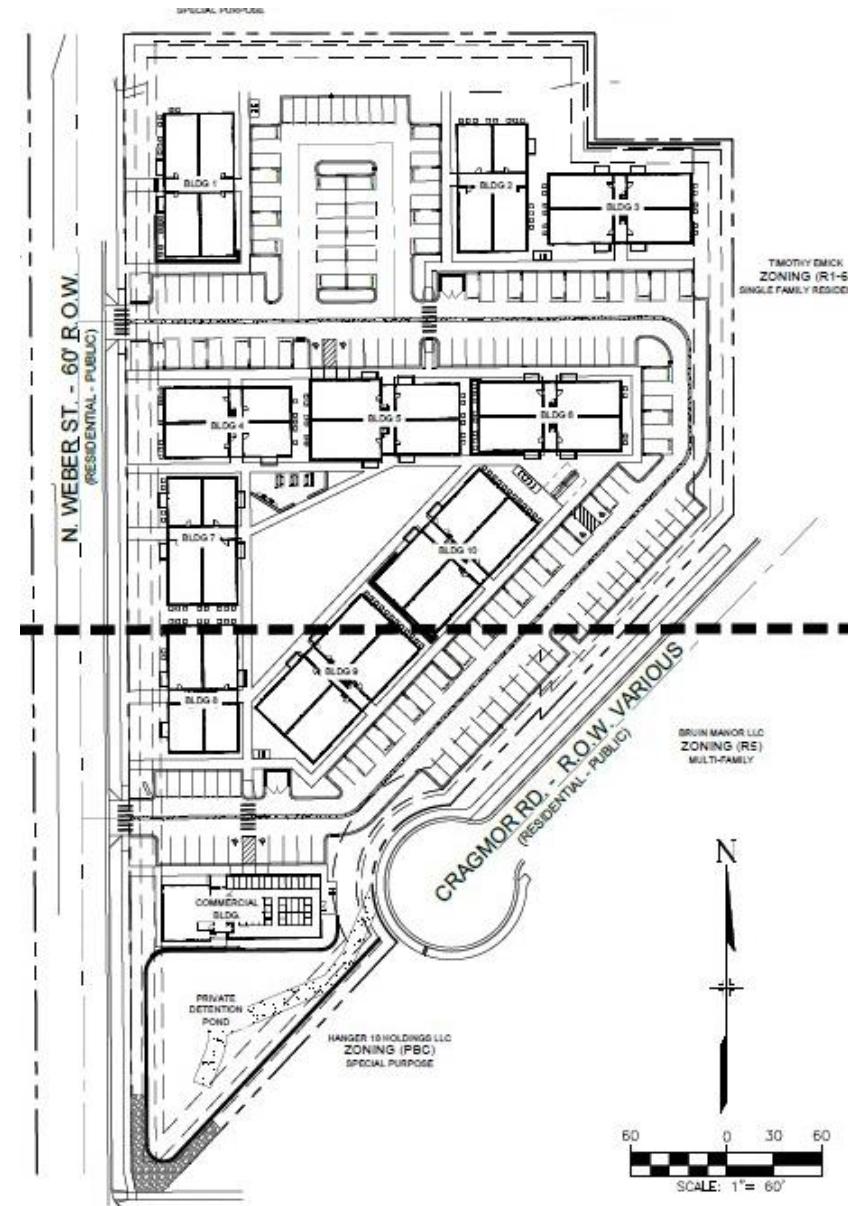


■ Odyssey at North Weber Parcels
■ Odyssey at North Weber Boundary
■ Parcel

0 0.03 0.05 Miles ↑

PROJECT VISION

- Attainable housing for 80% to 120% AMI
 - About 120 units
 - 30% of units at 80% of AMI and
 - 20% of units at 90% AMI
- Development Program
 - 1-bed: 20%; 2-bed: 55%; 3-bed: 25%
 - Low density development with surface parking
- Additional improvements
 - Street reconstruction on Cragmor with cul-de-sac
 - Street widening on North Weber
 - Stormwater
 - Sidewalks, curb, and gutter
 - Utility infrastructure



PLAN OBJECTIVES

- Implement PlanCOS, HomeCOS, and Renew North Nevada Avenue Master Plan
- 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

URA PLAN CONFORMANCE

- PlanCOS
 - **Vibrant Neighborhoods: Changing Neighborhood**
 - 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: Neighborhood Center**
 - Embrace changes in land use, infill, reinvestment, & redevelopment to respond to shifts in the market
- HomeCOS
 - 2A: facilitate affordable and attainable housing as infill development
 - 2C: create public-private partnerships to increase affordable rental housing
- COS Strategic Plan
 - **Housing Solutions**
 - Leverage diverse partnerships to implement housing solutions
 - Foster diverse development & enhance character to support household and neighborhood vitality
- **Renew North Nevada Avenue Master Plan**
 - Planning Influence Area
 - Supports zoning strategy, affordable housing strategy, & funding strategy

FINANCIAL ANALYSIS

DEVELOPMENT PROGRAM

- 120 units of attainable/workforce housing
 - 30% of units dedicated at 80% AMI and 20% of units dedicated at 90% AMI
 - Achieves greater depth of affordability than required by HUD
 - Currently at 63% of units renting at less than 80% AMI
- Average rent of \$1,983 per unit or \$2.13 per sq. ft.
 - Range from \$1,560/unit (1-bed) to \$2,435/unit (3-bed)
- Average unit size is 932 sq. ft.

Description	AMI	Units	% Total	Avg. SF per Unit	RBA	Rent per Unit	Rent per SF
1-Bed Units		24	20.0%	696	16,704	\$1,677	\$2.41
1-Bed	81%	20	16.7%	696	13,920	\$1,700	\$2.44
1-Bed	74%	4	3.3%	696	2,784	\$1,560	\$2.24
2-Bed Units		66	55.0%	915	60,390	\$1,970	\$2.15
2-Bed	76%	34	28.3%	915	31,110	\$1,925	\$2.10
2-Bed	83%	20	16.7%	915	18,300	\$2,106	\$2.30
2-Bed	74%	12	10.0%	915	10,980	\$1,872	\$2.05
3-Bed Units		30	25.0%	1,159	34,770	\$2,258	\$1.95
3-Bed	77%	17	14.2%	1,159	19,703	\$2,250	\$1.94
3-Bed	83%	5	4.2%	1,159	5,795	\$2,435	\$2.10
3-Bed	74%	8	6.7%	1,159	9,272	\$2,164	\$1.87
Total/Average	78%	120	100.0%	932	111,864	\$1,983	\$2.13

Source: Developer; Economic & Planning Systems

ELIGIBLE IMPROVEMENTS

- **\$2.9 million in eligible improvements**
- Street reconstruction and cul-de-sac at Cragmor Road and Mount View Lane
- Street widening on North Weber Street
- Sidewalk, curb, and gutter
- Stormwater
- Utility infrastructure
- Demolition
- Value of attainable units
 - 36 units at 80% AMI

Eligible Improvements	Total	% Total	Per Unit
Cul-de-sac at Cragmor and Mt. View	\$163,609	5.6%	\$1,363
Street widening on Weber	\$145,474	5.0%	\$1,212
Stormwater on-site	\$334,041	11.4%	\$2,784
Stormwater off-site	\$227,309	7.8%	\$1,894
Storm Pond	\$218,920	7.5%	\$1,824
Sanitary System	\$294,755	10.1%	\$2,456
Water System	\$382,548	13.1%	\$3,188
Demolition	\$19,984	0.7%	\$167
Design, Permits, ROW Easement, & Legal	\$201,850	6.9%	\$1,682
Value of Attainable Units ¹	<u>\$934,837</u>	<u>32.0%</u>	<u>\$7,790</u>
Total	\$2,923,328	100.0%	\$24,361

¹Estimated with 30% of units at an average rent of 80% AMI

Source: Developer; Economic & Planning Systems

CONSTRUCTION COSTS

- Total Cost: \$36.9 million
 - \$307,600 per unit
 - \$330 per sq. ft.
- Land: \$1.9 million
- Hard Costs: \$26.1 million
- Soft Costs: \$8.9 million

Description	Total	per RBA	per Unit	% of Total
	111,864	120		
Land Acquisition				
Land Acquisition	\$ 1,915,000	\$ 17	\$ 15,958	5.2%
Land Cost	4.4 acres	\$ 1,915,000	\$ 17	\$ 15,958
Total Land Cost	\$ 1,915,000	\$ 17	\$ 15,958	5.2%
Hard Costs				
Eligible Improvements	\$ 19,984	\$ 0	\$ 167	0.1%
Demolition		\$ 19,984	\$ 0	\$ 167
Development Cost	\$ 26,086,720	\$ 233	\$ 217,389	70.7%
Sitework	\$ 3,813,671	\$ 34	\$ 31,781	10.3%
Building Construction	\$ 20,005,888	\$ 179	\$ 166,716	54.2%
Leasing office	\$ 852,880			
General Contractor Fee	\$ 717,591	\$ 6	\$ 5,980	1.9%
Contingency	3.0% of HC	\$ 696,690	\$ 6	\$ 5,806
Total Hard Costs	\$ 26,106,704	\$ 233	\$ 217,556	70.7%
Soft Costs				
Soft Costs	\$ 8,889,845	\$ 79	\$ 74,082	24.1%
Taxes and Licenses	\$ 85,000	\$ 1	\$ 708	0.2%
Legal and Related	\$ 235,000	\$ 2	\$ 1,958	0.6%
Closing Costs (Title Insurance, Owners PP, Perm Ins.)	\$ 414,920	\$ 4	\$ 3,458	1.1%
Financing Costs (including all FHA required escrows)	\$ 2,830,000	\$ 25	\$ 23,583	7.7%
Municipal Fees (Plan Review, Permits, Tap)	\$ 638,250	\$ 6	\$ 5,319	1.7%
Architect (includes MEP, Structural, Interiors, CA)	\$ 637,175	\$ 6	\$ 5,310	1.7%
Civil Engineering & Consulting (incl. geotech, testing, envir., traffic, o	\$ 525,000	\$ 5	\$ 4,375	1.4%
Pre-Leasing Costs	\$ 106,500	\$ 1	\$ 888	0.3%
Lease-Up Marketing & FFE (including retail commissions)	\$ 198,000	\$ 2	\$ 1,650	0.5%
Construction Interest Expense	\$ 1,500,000	\$ 13	\$ 12,500	4.1%
Additional Equity Contingency	\$ 600,000	\$ 5	\$ 5,000	1.6%
Overhead	\$ 120,000	\$ 1	\$ 1,000	0.3%
Development Fee	3.8% of HC	\$ 1,000,000	\$ 9	\$ 8,333
Subtotal Soft Costs	\$ 8,889,845	\$ 79	\$ 74,082	24.1%
TOTAL CONSTRUCTION COST	\$ 34,996,549	\$ 313	\$ 291,638	94.8%
TOTAL COST WITH LAND COST	\$ 36,911,549	\$ 330	\$ 307,596	100.0%

STATIC PERFORMANCE

- Effective Gross Income: \$3.1M
 - Rental income: \$2.9M
 - Other income: \$356,000
 - Vacancy: 5.0%
- Operating Expenses: \$814,800
 - 26.5% of gross income
- Net Operating Income: \$2.3M
- Actual Yield on Cost (YOC) is 6.11% with an estimated gap of \$2.2M

Type	Lease Rate per month		Total Revenue		% of Total
	Monthly	Annual	Monthly	Annual	
REVENUE					
Rental Income	120 units	\$ 1,983 per unit	\$ 238,009	\$ 2,856,102	88.9% of PGI
Other Income			\$ 29,670	\$ 356,040	11.1% of PGI
Other Income ^[1]	120 units	\$ 95 per unit	\$ 11,340	\$ 136,080	4.2% of PGI
Ratio Utility Billing System (RUBS)	120 units	\$ 85 per unit	\$ 10,200	\$ 122,400	3.8% of PGI
Premiums	84 units	\$ 41 per unit	\$ 3,480	\$ 41,760	1.3% of PGI
Parking ^[2]	72 spaces	\$ 65 per space	\$ 4,650	\$ 55,800	1.7% of PGI
POTENTIAL GROSS INCOME (PGI)			\$ 267,679	\$ 3,212,142	100.0% of PGI
Net Rental Income			\$ (11,900)	\$ (142,805)	-4.4% of PGI
Less: Residential Vacancy		5.00% per year			
EFFECTIVE GROSS INCOME (EGI)			\$ 255,778	\$ 3,069,337	95.6% of PGI
EXPENDITURES	per year				
Variable Expenses	\$ 4,260	per unit	\$ (42,600)	\$ (511,200)	16.7% of EGI
Payroll and Related	120 units	\$ 2,025 per unit	\$ (20,250)	\$ (243,000)	7.9% of EGI
Utilities (Net of Reimbursements)	120 units	\$ 1,200 per unit	\$ (12,000)	\$ (144,000)	4.7% of EGI
Redecorating / Make Ready	120 units	\$ 200 per unit	\$ (2,000)	\$ (24,000)	0.8% of EGI
Landscaping / Contracted Services	120 units	\$ 235 per unit	\$ (2,350)	\$ (28,200)	0.9% of EGI
Repairs & Maintenance	120 units	\$ 150 per unit	\$ (1,500)	\$ (18,000)	0.6% of EGI
Leasing & Marketing	120 units	\$ 150 per unit	\$ (1,500)	\$ (18,000)	0.6% of EGI
General & Administrative	120 units	\$ 300 per unit	\$ (3,000)	\$ (36,000)	1.2% of EGI
Non-Variable Expenses	\$ 2,530	per unit	\$ (25,300)	\$ (303,600)	9.9% of EGI
Management Fee	120 units	\$ 700 per unit	\$ (7,000)	\$ (84,000)	2.7% of EGI
Insurance	120 units	\$ 514 per unit	\$ (5,140)	\$ (61,680)	2.0% of EGI
Property Taxes	120 units	\$ 1,066 per unit	\$ (10,660)	\$ (127,920)	4.2% of EGI
Capital Reserves	120 units	\$ 250 per unit	\$ (2,500)	\$ (30,000)	1.0% of EGI
TOTAL EXPENDITURES	\$ 6,790	per unit	\$ (67,900)	\$ (814,800)	26.5% of EGI
NET OPERATING INCOME (NOI)			\$ 187,878	\$ 2,254,537	73.5% of EGI
HURDLE RATE					6.50%
ACTUAL YIELD ON COST (YOC)					6.11%
NET DEV. COST TARGET					
ESTIMATED DEVELOPMENT COST					
GAP: COST					
			\$ 34,685,183		
			\$ 36,911,549		
			\$ 2,226,366		

^[1]Includes trash fees, cable/phone/etc., storage unit, and pet rent

^[2]Includes carports and reserved spaces

Source: Developer; Economic & Planning Systems

TIME SERIES

- EPS estimated annual cash flows based on estimated 2-year construction schedule for a 20-year period
- Model project sale in year 10
- Project has an IRR of 8.2% and a negative NPV of -1.8M

Description	Factor	Esc.	Total	2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3	2029 Year 4
DEVELOPMENT COSTS								
Construction Cost			-\$36,911,549	-\$36,911,549	\$0	\$0	\$0	\$0
Land Cost / Acquisition	\$1,915,000	0.0%	-\$1,915,000	-\$1,915,000	\$0	\$0	\$0	\$0
Hard Costs	\$26,106,704	0.0%	-\$26,106,704	-\$26,106,704	\$0	\$0	\$0	\$0
Soft Costs	\$8,889,845	0.0%	-\$8,889,845	-\$8,889,845	\$0	\$0	\$0	\$0
Total Costs			-\$36,911,549	-\$36,911,549	\$0	\$0	\$0	\$0
NET OPERATING INCOME								
Residential Revenue								
Residential Income	\$2,856,102	2.0%		\$0	\$0	\$1,485,744	\$3,030,918	\$3,091,537
Other Income	\$356,040	2.0%		\$0	\$0	\$185,212	\$377,832	\$385,389
Residential Vacancy Loss		5.00%		\$0	\$0	-\$74,287	-\$151,546	-\$154,577
Effective Gross Income				\$0	\$0	\$1,596,669	\$3,257,205	\$3,322,349
Operating Expenses								
Operating Expenditures	-\$814,800	2.0%		\$0	\$0	-\$847,718	-\$864,672	-\$881,966
Residential NOI				\$0	\$0	\$748,951	\$2,392,533	\$2,440,383
PROJECT NOI				\$0	\$0	\$748,951	\$2,392,533	\$2,440,383
DISPOSITION REVENUE								
Gross Revenue			\$53,394,919	\$0	\$0	\$0	\$0	\$0
Residential	5.25% cap rate		\$53,394,919	\$0	\$0	\$0	\$0	\$0
Cost of Sale			-\$800,924	\$0	\$0	\$0	\$0	\$0
Residential	1.5%		-\$800,924	\$0	\$0	\$0	\$0	\$0
Project Net Sale Revenue			\$52,593,995	\$0	\$0	\$0	\$0	\$0
PROJECT CASH FLOWS								
Net Project Cash Flows			\$36,966,430	-\$36,911,549	\$0	\$748,951	\$2,392,533	\$2,440,383
Construction Costs			-\$36,911,549	-\$36,911,549	\$0	\$0	\$0	\$0
Residential NOI			\$21,283,984	\$0	\$0	\$748,951	\$2,392,533	\$2,440,383
Project Disposition Income			\$52,593,995	\$0	\$0	\$0	\$0	\$0
Net Present Value	8.86%		-\$1,836,772	-\$36,911,549	\$0	\$631,971	\$1,854,483	\$1,737,580
Internal Rate of Return		8.22%						

Source: Developer; Economic & Planning Systems

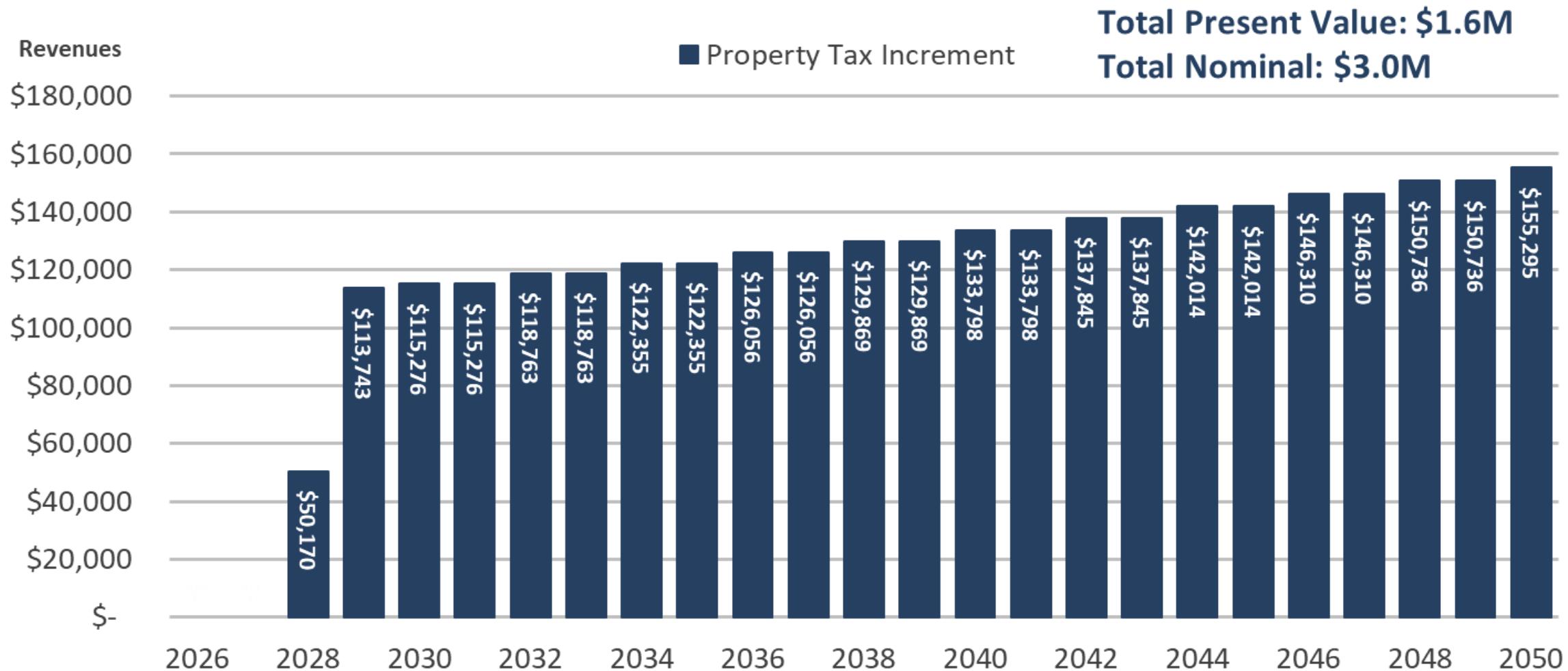
PROPERTY TAX INCREMENT

- Base value of \$203,800 (2024)
- Request of 55.031 mills pledged to URA

Description	Mill Levy	TIF Share	TIF Mill Levy
EL PASO COUNTY	6.9850	100%	6.9850
EPC ROAD & BRIDGE SHARE	0.1650	0%	0.0000
CITY OF COLORADO SPRINGS	3.5540	100%	3.5540
EPC-COLORADO SPGS ROAD & BRIDGE SHARE	0.1650	0%	0.0000
COLO SPGS SCHOOL DISTRICT #11	40.6050	100%	40.6050
PIKES PEAK LIBRARY DISTRICT	3.1400	100%	3.1400
SOUTHEASTERN COLO WATER CONSERVANCY DISTRICT	<u>0.7470</u>	<u>100%</u>	<u>0.7470</u>
Total	55.3610	99.4%	55.0310

Source: El Paso County Assessor; Economic & Planning Systems

TIF REVENUE : PROPERTY TAX INCREMENT



Source: Economic & Planning Systems

STATIC PERFORMANCE: WITH AND WITHOUT TIF

- Target hurdle rate: 6.50% YOC
 - NOI/Cost
- In order to achieve the hurdle rate, net project costs need to be reduced by \$2.2M
- Current costs are estimated at \$36.9M
- The present value of the future TIF revenue is estimated at \$1.6M
- With the TIF included, the project achieves a YOC of 6.38%

NET OPERATING INCOME (NOI)	\$ 187,878	\$ 2,254,537
HURDLE RATE		6.50%
ACTUAL YIELD ON COST (YOC)		6.11%
NET DEV. COST TARGET	\$ 34,685,183	
ESTIMATED DEVELOPMENT COST	\$ 36,911,549	
GAP: COST		\$ 2,226,366
PERFORMANCE WITH TIF		
Net Operating Income		\$ 2,254,537
Project Cost		
Total Development Cost	\$ 36,911,549	
Less: Present Value of Property TIF	\$ 1,582,762	
Net Cost		\$ 35,328,787
YIELD ON COST (YOC) WITH SUBSIDY		6.38%

DISTRICT IMPACT

CITY PROPERTY TAX IMPACT

- Current mill levy of 3.554 mills
- Request of 100% of the property tax increment to be pledged to the project
- City will continue to receive the base valuation
 - Base value is \$724
- After the 25-year period, Colorado Springs will receive about \$11,400 annually due to the development of Odyssey at North Weber

Year	Plan Year	Co. Springs Property Tax: 3.554 mills		
		Base	Increment 1-Yr. Lag	Total
2026	1	\$724	\$0	\$724
2027	2	\$746	\$0	\$746
2028	3	\$746	\$3,240	\$3,986
2029	4	\$768	\$7,346	\$8,114
2030	5	\$768	\$7,445	\$8,213
2031	6	\$791	\$7,445	\$8,236
2032	7	\$791	\$7,670	\$8,461
2033	8	\$815	\$7,670	\$8,485
2034	9	\$815	\$7,902	\$8,717
2035	10	\$840	\$7,902	\$8,742
2036	11	\$840	\$8,141	\$8,981
2037	12	\$865	\$8,141	\$9,006
2038	13	\$865	\$8,387	\$9,252
2039	14	\$891	\$8,387	\$9,278
2040	15	\$891	\$8,641	\$9,532
2041	16	\$918	\$8,641	\$9,558
2042	17	\$918	\$8,902	\$9,820
2043	18	\$945	\$8,902	\$9,847
2044	19	\$945	\$9,172	\$10,117
2045	20	\$973	\$9,172	\$10,145
2046	21	\$973	\$9,449	\$10,422
2047	22	\$1,003	\$9,449	\$10,452
2048	23	\$1,003	\$9,735	\$10,737
2049	24	\$1,033	\$9,735	\$10,767
2050	25	\$1,033	\$10,029	\$11,062
Total		\$21,900	\$191,501	\$213,401
Future Tax Revenue				
2051		\$1,033	\$10,364	\$11,396

Source: Economic & Planning Systems

CONCLUSIONS

- Supports citywide plans:
 - COS Comprehensive Plan
 - COS Affordable and Attainable Housing Plan
 - Renew North Nevada Avenue Master Plan
- Fulfills “But For” Project Gap
 - Given the inclusion of the cost of eligible benefits, there is a gap that fulfills the “but for” case
 - Eligible costs total \$2.9 million
 - Infrastructure: \$2.0 million
 - Value of attainable units: \$935,000
 - Static and time series proformas identify an average gap closure target of about \$2.0 million
 - Project TIF revenues are estimated to be approximately \$1.6 million (property TIF only)