

MORENO AND CASCADE URA

City of Colorado Springs

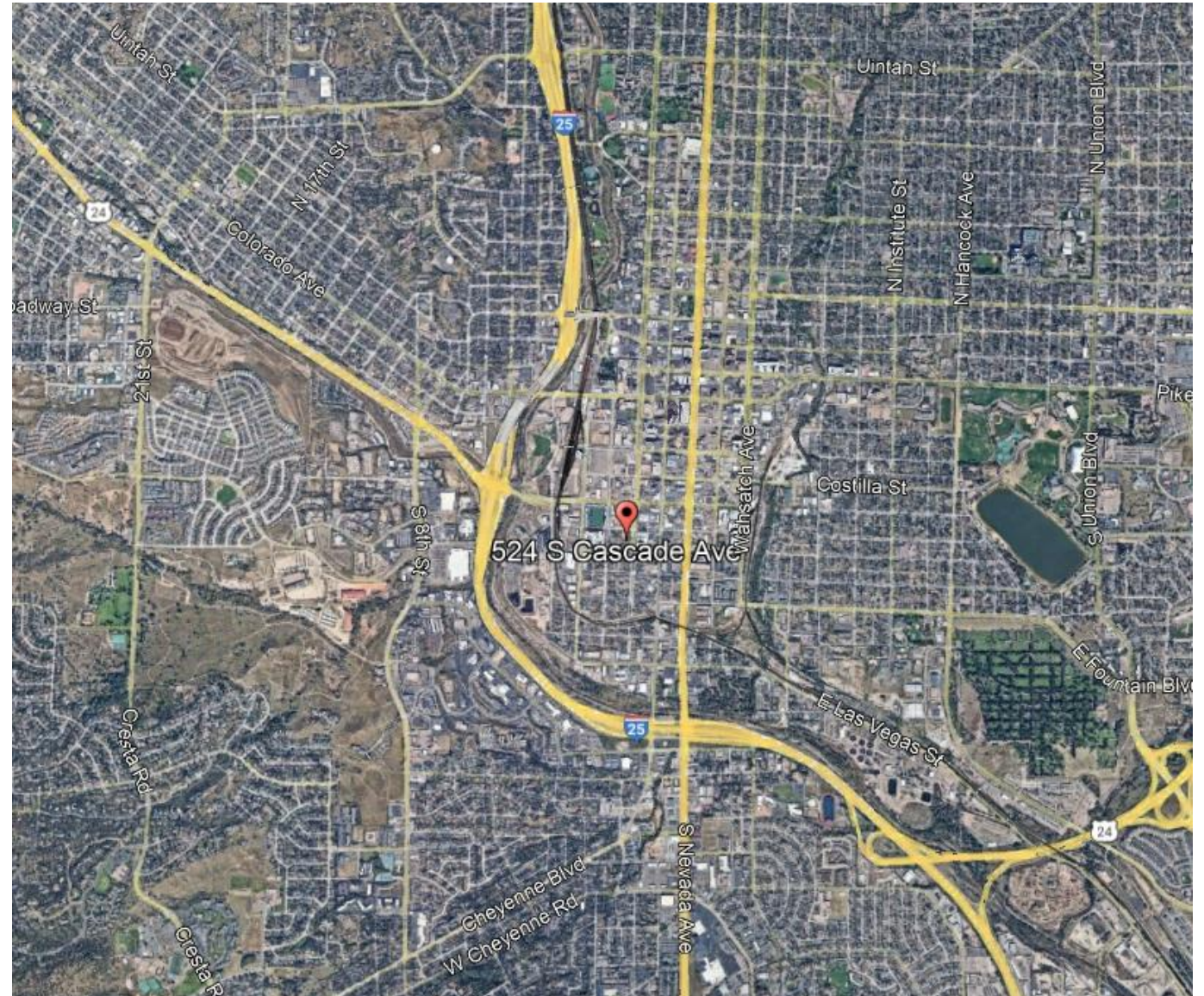


**Economic & Planning
Systems, Inc.**
The Economics of Land Use

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OVERVIEW

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



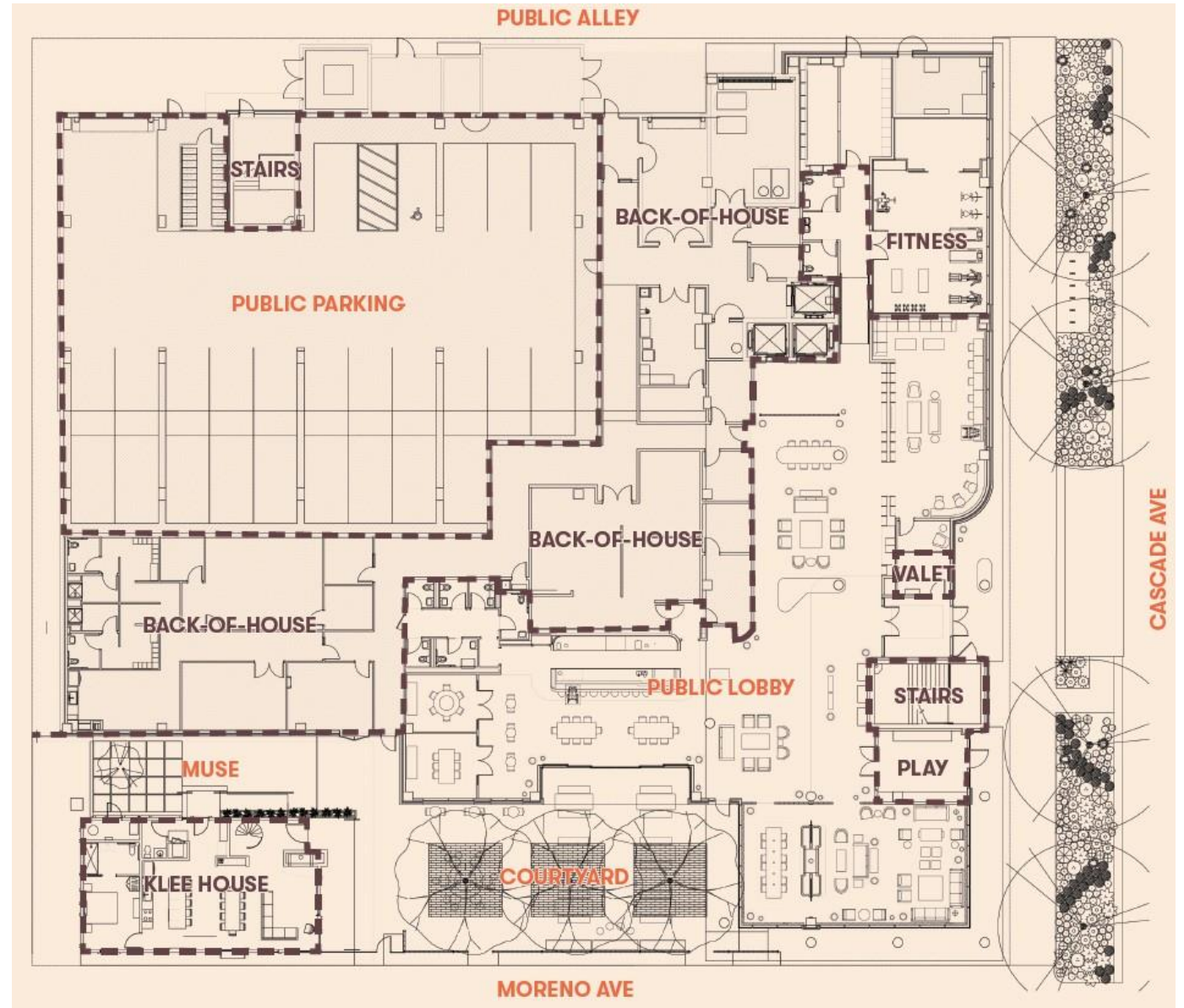
STUDY AREA

- 1.69 acres and adjacent ROW in Downtown Colorado Springs
- Single ownership
 - DDJ No. 1 LLC
 - DDJ No. 3 LLC
- Former office building on Parcel 1 is vacant
- Parcels 2-5 have single family homes
- Parcel 6 is a vacant lot



PROJECT VISION

- 181-room hotel
 - Public lobby
 - Kitchen/bar
 - Event space
 - Public structured parking
- Additional improvements
 - Courtyard
 - Alley improvements
 - Utilities
 - Public art
 - Moreno and Cascade streetscape
- Phase 2 likely to include attainable housing development on southern parcels



PLAN OBJECTIVES

- Implement PlanCOS, HomeCOS, and City of Colorado Springs Strategic Plan
- Prevent and eliminate conditions of blight within the City of Colorado Springs
- 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

URA PLAN 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

- **Thriving Economy: Life and Style topology**

- Build on quality of place and competitive advantages
 - Focus on redeveloping areas in the city and reduce impacts of disinvestment in blighted areas

- HomeCOS

- 2A: facilitate affordable and attainable housing as infill development
 - 2C: create public-private partnerships to increase affordable rental housing
 - 3: Increase homeownership opportunities

- COS Strategic Plan

- Economic Vitality

- Encourage a resilient economy that attracts diverse businesses

- Housing Solutions

- Leverage diverse partnerships to implement housing solutions
 - Foster diverse development & enhance character to support household and neighborhood vitality

FINANCIAL ANALYSIS

DEVELOPMENT PROGRAM

- Hotel with 181 rooms
 - Avg. daily rate: \$219
 - Occupancy rate: 79%
- Food and beverage components
 - Kitchen/bar: 4,800 sq. ft.
 - \$275 sales per sq. ft.
 - Event space: 6,175 sq. ft.
 - \$339 sales per sq. ft.
 - Mini bar
- Structured parking
 - 30 spaces
- Phase 2: Residential
 - Attainable housing with 77 to 115 units

PHASE 1 - HOTEL

Description	Keys	SF per Key	RBA	ADR	Occup. %	RevPAR	Annual Revenue
Hotel	181.0	716	129,596	\$219	79.3%	\$174.05	\$11,498,457

Source: Developer; Economic & Planning Systems

ELIGIBLE IMPROVEMENTS

- Total cost of \$10.4 million
- Tier 1 total \$5.7 million
 - Directly related to development of the hotel and surrounding public right-of-way
- Tier 2 total \$4.7 million
 - Structured public parking
 - Streetscape and public realm improvements to improve connectivity to surrounding developments

Eligible Improvements	Factor	Total	% Total	Per Key
Tier 1				
Demolition/Abatement		\$730,300	7.0%	\$4,035
Utilities		\$304,693	2.9%	\$1,683
Catbird Streetscapes		\$380,064	3.7%	\$2,100
Courtyard		\$916,776	8.8%	\$5,065
Alley Improvements		\$259,368	2.5%	\$1,433
Public Art		\$130,800	1.3%	\$723
Public Lobby (Construction & FFE)	3,750 sq. ft.	<u>\$2,988,510</u>	<u>28.8%</u>	<u>\$16,511</u>
Subtotal		\$5,710,511	55.0%	\$31,550
Tier 2				
Structured Parking		\$2,075,124	20.0%	\$11,465
Moreno Avenue Public Realm Imprv.		\$2,397,306	23.1%	\$13,245
Cascade Avenue Public Realm Imprv.		<u>\$202,025</u>	<u>1.9%</u>	<u>\$1,116</u>
Subtotal		\$4,674,455	45.0%	\$25,826
Total		\$10,384,966	100.0%	\$57,376

Source: Developer; Economic & Planning Systems

CONSTRUCTION COSTS

- Total Cost: \$87.8 million
 - \$485,000 per key
 - \$678 per sq. ft.
- Land: \$5.6 million
- Hard Costs: \$67.0 million
 - Includes \$6.5 million for eligible improvements
- Soft Costs: \$15.3 million

Description	Total	per RBA 129,596	per Key 181	% of Total
Land Cost				
Land Cost	\$ 5,557,500	\$ 43	\$ 30,704	6.3%
Land Cost 0.87 acres	\$ 5,557,500	\$ 43	\$ 30,704	6.3%
Total Land Cost	\$ 5,557,500	\$ 43	\$ 30,704	6.3%
Hard Costs				
Eligible Improvements	\$ 6,481,800	\$ 50	\$ 35,811	7.4%
Demolition and Abatement	\$ 670,000	\$ 5	\$ 3,702	0.8%
Utilities	\$ 237,300	\$ 2	\$ 1,311	0.3%
Public Parking	\$ 1,915,000	\$ 15	\$ 10,580	2.2%
Catbird Streetscapes	\$ 296,000	\$ 2	\$ 1,635	0.3%
Courtyard	\$ 714,000			
Alley Improvements	\$ 202,000	\$ 2	\$ 1,116	0.2%
Public Art	\$ 120,000	\$ 1	\$ 663	0.1%
Public Lobby (Construction & FFE)	\$ 2,327,500	\$ 18	\$ 12,859	2.6%
Development Cost	\$ 60,542,000	\$ 467	\$ 334,486	68.9%
Building Construction	\$ 46,988,200	\$ 363	\$ 259,603	53.5%
FF&E, OS&E, and IT	\$ 9,729,900	\$ 75	\$ 53,756	63.8%
Contingency 7.2% of HC	\$ 3,823,900	\$ 30	\$ 21,127	4.4%
Total Hard Costs	\$ 67,023,800	\$ 517	\$ 370,297	76.3%
Soft Costs				
Soft Costs	\$ 15,250,759	\$ 118	\$ 84,258	17.4%
Design	\$ 2,598,330	\$ 20	\$ 14,355	3.0%
Permits & Fees	\$ 598,429	\$ 5	\$ 3,306	0.7%
Other Soft Costs	\$ 575,000	\$ 4	\$ 3,177	0.7%
Pre-opening Expenses	\$ 885,000	\$ 7	\$ 4,890	1.0%
Financing Costs	\$ 2,565,000	\$ 20	\$ 14,171	2.9%
Operating Deficits & WC	\$ 3,350,000	\$ 26	\$ 18,508	3.8%
Development Fee 6.2% of HC	\$ 4,150,000	\$ 32	\$ 22,928	4.7%
Contingency 7.8% of SC	\$ 529,000	\$ 4	\$ 2,923	0.6%
Subtotal Soft Costs	\$ 15,250,759	\$ 118	\$ 84,258	17.4%
TOTAL CONSTRUCTION COST	\$ 82,274,559	\$ 635	\$ 454,556	93.7%
TOTAL COST WITH LAND COST	\$ 87,832,059	\$ 678	\$ 485,260	100.0%

Source: Developer; Economic & Planning Systems

STATIC PERFORMANCE

- Effective Gross Income: \$16.1M
 - Lodging: \$11.5M
 - Food and beverage: \$3.5M
 - Parking/Other: \$1.1M
- Operating Expenses: \$9.6M
 - 60% of effective gross income
- Net Operating Income: \$6.5M

Type	Total Revenue		% of Total
	Monthly	Annual	
REVENUE			
Lodging Revenue	\$ 958,205	\$ 11,498,457	71.6% of PGI
Lodging 181 keys \$ 219.48 ADR 79% Occup.	\$ 958,205	\$ 11,498,457	71.6% of PGI
Food & Beverage Revenue	\$ 287,488	\$ 3,449,857	21.5% of PGI
Kitchen/Bar 4,843 sq. ft. \$ 275.00 per sq. ft.	\$ 110,985	\$ 1,331,825	8.3% of PGI
Events/Catering 6,175 sq. ft. \$ 338.50 per sq. ft.	\$ 174,186	\$ 2,090,238	13.0% of PGI
Mini Bar	\$ 2,316	\$ 27,794	0.2% of PGI
Other Income	\$ 92,356	\$ 1,108,270	6.9% of PGI
Destination Amenity Fee	\$ 56,217	\$ 674,599	4.2% of PGI
Other	\$ 5,354	\$ 64,248	0.4% of PGI
Parking ⁽¹⁾	\$ 30,785	\$ 369,423	2.3% of PGI
POTENTIAL GROSS INCOME (PGI)	\$ 1,338,049	\$ 16,056,584	100.0% of PGI
EFFECTIVE GROSS INCOME (EGI)	\$ 1,338,049	\$ 16,056,584	100.0% of PGI
EXPENDITURES			
Operating Expenses	\$ (392,507)	\$ (4,710,084)	29.3% of EGI
Lodging	\$ (174,421)	\$ (2,093,057)	13.0% of EGI
Kitchen/Bar	\$ (76,247)	\$ (914,964)	5.7% of EGI
Events/Catering	\$ (95,803)	\$ (1,149,631)	7.2% of EGI
Mini Bar	\$ (2,200)	\$ (26,405)	0.2% of EGI
Destination Amenity Fee	\$ (19,676)	\$ (236,110)	1.5% of EGI
Other	\$ (1,071)	\$ (12,850)	0.1% of EGI
Parking	\$ (23,089)	\$ (277,068)	1.7% of EGI
Variable Expenses	\$ (266,360)	\$ (3,196,315)	19.9% of EGI
Admin & General	\$ (108,418)	\$ (1,301,013)	8.1% of EGI
Info & Telcom Systems	\$ (21,416)	\$ (256,990)	1.6% of EGI
Marketing	\$ (82,986)	\$ (995,837)	6.2% of EGI
Prop. Operations & Maint.	\$ (30,785)	\$ (369,423)	2.3% of EGI
Utilities	\$ (22,754)	\$ (273,052)	1.7% of EGI
Non-Variable Expenses	\$ (137,729)	\$ (1,652,747)	10.3% of EGI
Property Taxes	\$ (31,295)	\$ (375,538)	2.3% of EGI
Insurance	\$ (14,570)	\$ (174,836)	1.1% of EGI
Equipment Lease	\$ (4,863)	\$ (58,350)	0.4% of EGI
Replacement Reserves	\$ (53,540)	\$ (642,476)	4.0% of EGI
Operating Fees	\$ (33,462)	\$ (401,547)	2.5% of EGI
TOTAL EXPENDITURES	\$ (796,596)	\$ (9,559,146)	59.5% of EGI
NET OPERATING INCOME (NOI)	\$ 541,453	\$ 6,497,437	40.5% of EGI

⁽¹⁾Includes 79% occupancy

Source: Developer; Economic & Planning Systems

TAX INCREMENT

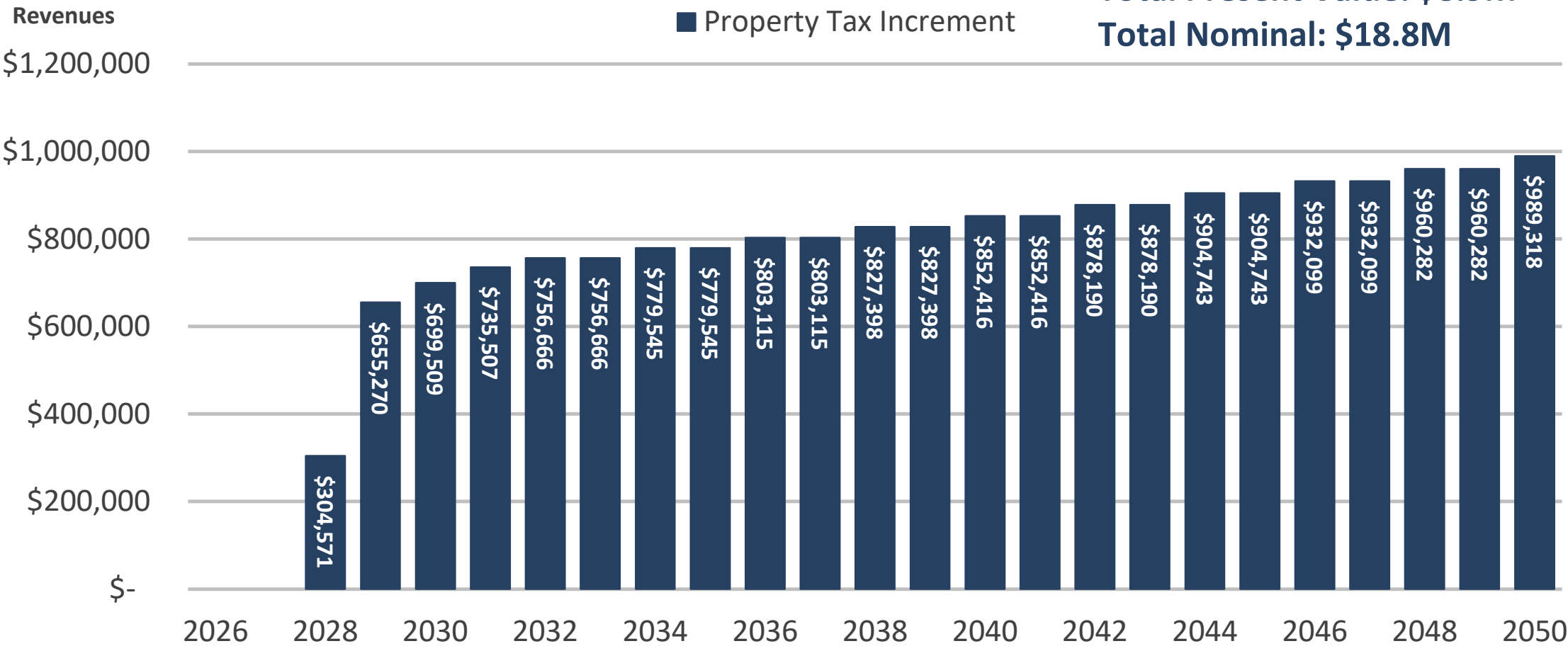
- Property tax increment
 - Local government assessed base value of \$599,952
 - Request of 57.4610 mills pledged to URA
- Sales tax increment
 - Lodging
 - Average daily rate: \$219
 - Occupancy rate: 79%
 - Food and beverage: \$311 per sq. ft.
 - TIF request:
 - County: 0.75%
 - City: 1.50%

Description	Mill Levy	TIF Share	TIF Mill Levy
Non-School Local Government			
EL PASO COUNTY	6.985	100%	6.9850
EPC ROAD & BRIDGE SHARE	0.165	0%	0.0000
CITY OF COLORADO SPRINGS	3.554	100%	3.5540
EPC-COLORADO SPGS ROAD & BRIDGE SHARE	0.165	0%	0.0000
PIKES PEAK LIBRARY DISTRICT	3.140	50%	1.5700
SOUTHEASTERN COLO WATER CONSERVANCY DISTRICT	0.747	100%	0.7470
CS DOWNTOWN DEVELOPMENT AUTHORITY	5.000	80%	4.0000
CS DOWNTOWN DEV AUTHORITY(TIF DDA)	<u>0.000</u>	0%	<u>0.0000</u>
Subtotal	19.7560		16.8560
School			
COLO SPGS SCHOOL DISTRICT #11	40.605	100%	40.6050
Total	60.3610		57.4610

Source: El Paso County Assessor; Economic & Planning Systems

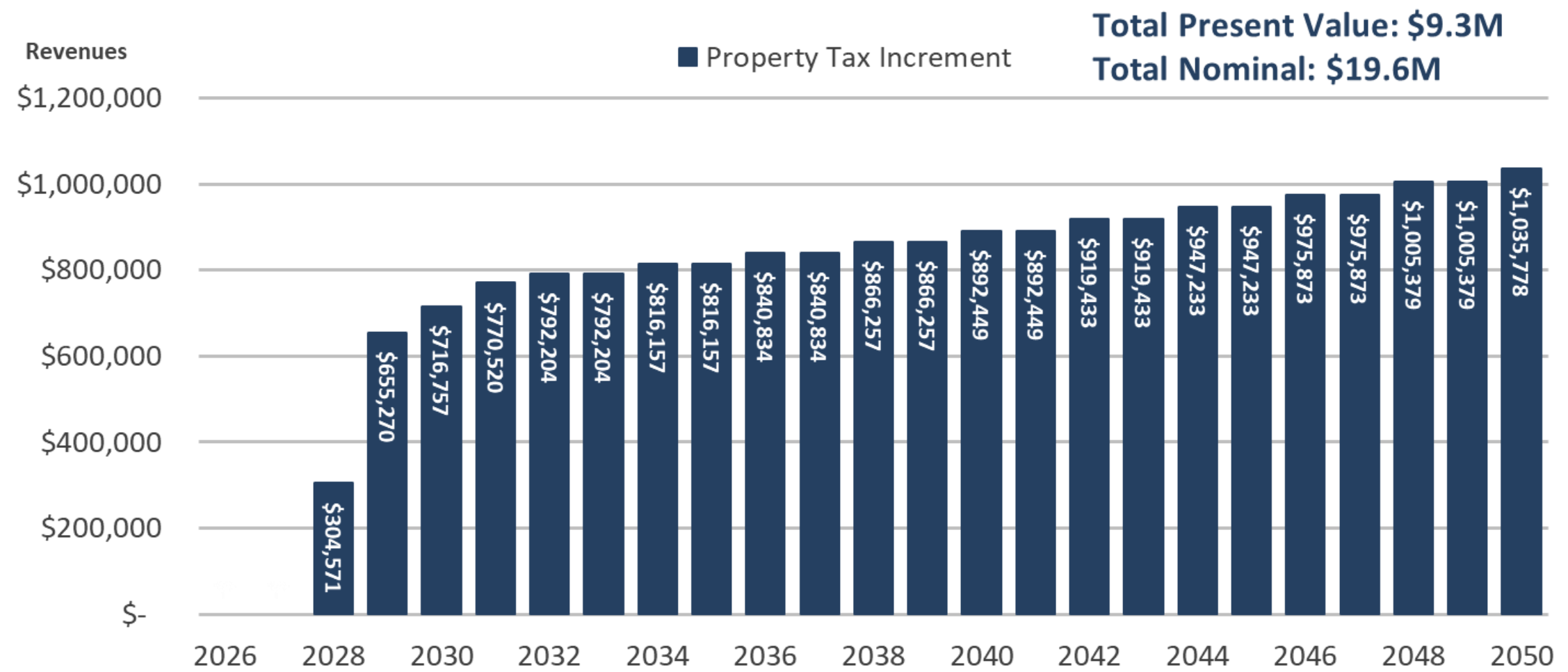
TIF REVENUE: PROPERTY TAX INCREMENT SCENARIO 1

Total Present Value: \$8.9M
Total Nominal: \$18.8M



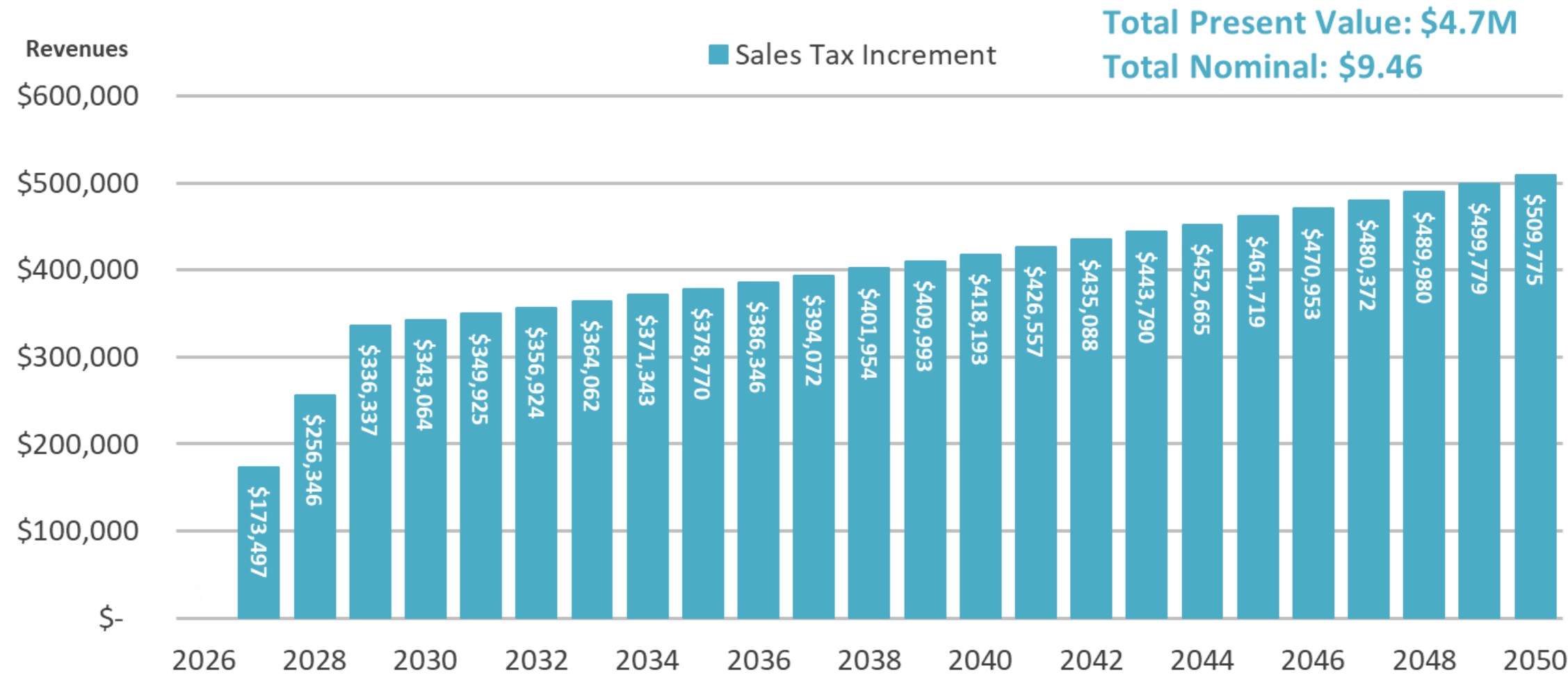
Source: Economic & Planning Systems

TIF REVENUE: PROPERTY TAX INCREMENT SCENARIO 2



Source: Economic & Planning Systems

TIF REVENUE: SALES TAX INCREMENT



Source: Economic & Planning Systems

STATIC PERFORMANCE: WITH AND WITHOUT TIF

- Target hurdle rate: 8.50% YOC
 - NOI/Cost
- In order to achieve the hurdle rate, net project costs need to be reduced by \$11.4M
- Current costs are estimated at \$87.8M
- The project would receive \$10.4 million in TIF revenue to cover the eligible improvement costs
- With the TIF included, the project achieves a YOC of 8.4%

NET OPERATING INCOME (NOI)	\$ 541,453	\$ 6,497,437
HURDLE RATE		8.50%
ACTUAL YIELD ON COST (YOC)		7.40%
NET DEV. COST TARGET		\$ 76,440,440
ESTIMATED DEVELOPMENT COST		\$ 87,832,059
GAP: COST		\$ 11,391,619
PERFORMANCE WITH TIF		
Net Operating Income		\$ 6,497,437
Project Cost		
Total Development Cost		\$ 87,832,059
Less: Present Value of TIF		\$ 10,400,000
Net Cost		\$ 77,432,059
YIELD ON COST (YOC) WITH SUBSIDY		8.39%

CITY 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 \$2,132
- After the 25-year period, Colorado Springs will receive between \$64,000 in Scenario 1 to \$67,000 in Scenario 2 annually

		Colorado Springs		Property Tax: 3.554 mills		
Year	Plan Yr.	Base	Scenario 1 Incr. 1-Yr. Lag	Total Base + Incr.	Scenario 2 Incr. 1-Yr. Lag	Total Base + Incr.
2026	1	\$2,132	\$0	\$2,132	\$0	\$2,132
2027	2	\$2,196	\$0	\$2,196	\$0	\$2,196
2028	3	\$2,196	\$18,863	\$21,059	\$18,863	\$21,059
2029	4	\$2,262	\$40,554	\$42,816	\$40,554	\$42,816
2030	5	\$2,262	\$43,112	\$45,374	\$44,090	\$46,352
2031	6	\$2,330	\$45,153	\$47,483	\$47,139	\$49,469
2032	7	\$2,330	\$46,457	\$48,787	\$48,473	\$50,803
2033	8	\$2,400	\$46,457	\$48,857	\$48,473	\$50,873
2034	9	\$2,400	\$47,862	\$50,262	\$49,939	\$52,339
2035	10	\$2,472	\$47,862	\$50,334	\$49,939	\$52,411
2036	11	\$2,472	\$49,309	\$51,781	\$51,449	\$53,921
2037	12	\$2,546	\$49,309	\$51,855	\$51,449	\$53,995
2038	13	\$2,546	\$50,800	\$53,346	\$53,004	\$55,550
2039	14	\$2,622	\$50,800	\$53,423	\$53,004	\$55,627
2040	15	\$2,622	\$52,336	\$54,959	\$54,607	\$57,229
2041	16	\$2,701	\$52,336	\$55,037	\$54,607	\$57,308
2042	17	\$2,701	\$53,919	\$56,620	\$56,258	\$58,959
2043	18	\$2,782	\$53,919	\$56,701	\$56,258	\$59,040
2044	19	\$2,782	\$55,549	\$58,331	\$57,959	\$60,741
2045	20	\$2,866	\$55,549	\$58,415	\$57,959	\$60,825
2046	21	\$2,866	\$57,229	\$60,094	\$59,711	\$62,577
2047	22	\$2,952	\$57,229	\$60,180	\$59,711	\$62,663
2048	23	\$2,952	\$58,959	\$61,910	\$61,517	\$64,468
2049	24	\$3,040	\$58,959	\$61,999	\$61,517	\$64,557
2050	25	<u>\$3,040</u>	<u>\$60,742</u>	<u>\$63,782</u>	<u>\$63,377</u>	<u>\$66,417</u>
Total		\$64,469	\$1,153,264	\$1,217,734	\$1,199,857	\$1,264,326
Future Tax Revenue						
	2051	\$3,131	\$60,742	\$63,873	\$63,377	\$66,508

Source: Economic & Planning Systems

CITY SALES TAX IMPACT

- Asking for a pledge of 1.5% of the 2.0% General Fund sales tax
- The City will continue to receive 0.50% of the General Fund sales tax and the 1.07% dedicated sales tax over the 25 years
 - 0.50% General Fund will generate about \$2.1 million
 - 0.10% TOPS will generate \$427,000
 - 0.40% PSST will generate \$1.7 million
 - 0.57% 2C Road will generate \$2.4 million

Year	Plan Yr.	Taxable Sales ¹			Colorado Springs Sales Tax					City TIF Share Present Val. 6.00%
		Lodging 181 keys \$219 ADR	F&B ² 11,018 sf \$311/sf	Total	TOPS 0.10%	PSST 0.40%	2C Road 0.57%	Gen. Fund 0.50%	TIF Share 1.50%	
2025	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2026	1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2027	2	\$5,741,979	\$1,969,015	\$7,710,994	\$7,711	\$30,844	\$43,953	\$38,555	\$115,665	\$109,118
2028	3	\$8,525,968	\$2,867,176	\$11,393,145	\$11,393	\$45,573	\$64,941	\$56,966	\$170,897	\$152,098
2029	4	\$11,498,457	\$3,449,857	\$14,948,314	\$14,948	\$59,793	\$85,205	\$74,742	\$224,225	\$188,263
2030	5	\$11,728,426	\$3,518,854	\$15,247,280	\$15,247	\$60,989	\$86,909	\$76,236	\$228,709	\$181,159
2031	6	\$11,962,995	\$3,589,231	\$15,552,226	\$15,552	\$62,209	\$88,648	\$77,761	\$233,283	\$174,323
2032	7	\$12,202,255	\$3,661,015	\$15,863,270	\$15,863	\$63,453	\$90,421	\$79,316	\$237,949	\$167,745
2033	8	\$12,446,300	\$3,734,236	\$16,180,536	\$16,181	\$64,722	\$92,229	\$80,903	\$242,708	\$161,415
2034	9	\$12,695,226	\$3,808,920	\$16,504,146	\$16,504	\$66,017	\$94,074	\$82,521	\$247,562	\$155,324
2035	10	\$12,949,131	\$3,885,099	\$16,834,229	\$16,834	\$67,337	\$95,955	\$84,171	\$252,513	\$149,462
2036	11	\$13,208,113	\$3,962,801	\$17,170,914	\$17,171	\$68,684	\$97,874	\$85,855	\$257,564	\$143,822
2037	12	\$13,472,275	\$4,042,057	\$17,514,332	\$17,514	\$70,057	\$99,832	\$87,572	\$262,715	\$138,395
2038	13	\$13,741,721	\$4,122,898	\$17,864,619	\$17,865	\$71,458	\$101,828	\$89,323	\$267,969	\$133,173
2039	14	\$14,016,555	\$4,205,356	\$18,221,911	\$18,222	\$72,888	\$103,865	\$91,110	\$273,329	\$128,147
2040	15	\$14,296,886	\$4,289,463	\$18,586,349	\$18,586	\$74,345	\$105,942	\$92,932	\$278,795	\$123,311
2041	16	\$14,582,824	\$4,375,252	\$18,958,076	\$18,958	\$75,832	\$108,061	\$94,790	\$284,371	\$118,658
2042	17	\$14,874,481	\$4,462,757	\$19,337,238	\$19,337	\$77,349	\$110,222	\$96,686	\$290,059	\$114,180
2043	18	\$15,171,970	\$4,552,012	\$19,723,983	\$19,724	\$78,896	\$112,427	\$98,620	\$295,860	\$109,872
2044	19	\$15,475,410	\$4,643,053	\$20,118,462	\$20,118	\$80,474	\$114,675	\$100,592	\$301,777	\$105,726
2045	20	\$15,784,918	\$4,735,914	\$20,520,832	\$20,521	\$82,083	\$116,969	\$102,604	\$307,812	\$101,736
2046	21	\$16,100,616	\$4,830,632	\$20,931,248	\$20,931	\$83,725	\$119,308	\$104,656	\$313,969	\$97,897
2047	22	\$16,422,629	\$4,927,245	\$21,349,873	\$21,350	\$85,399	\$121,694	\$106,749	\$320,248	\$94,203
2048	23	\$16,751,081	\$5,025,789	\$21,776,871	\$21,777	\$87,107	\$124,128	\$108,884	\$326,653	\$90,648
2049	24	\$17,086,103	\$5,126,305	\$22,212,408	\$22,212	\$88,850	\$126,611	\$111,062	\$333,186	\$87,227
2050	25	\$17,427,825	\$5,228,831	\$22,656,656	\$22,657	\$90,627	\$129,143	\$113,283	\$339,850	\$83,936
Total Avg.					\$427,178 \$17,087	\$1,708,712 \$68,348	\$2,434,914 \$97,397	\$2,135,890 \$85,436	\$6,407,669 \$256,307	\$3,109,837 \$124,393

¹Annual escalation of 2.0%

²Includes kitchen/bar, catering, and mini bar sales

Source: Economic & Planning Systems

CONCLUSIONS

- Supports citywide plans including PlanCOS and HomeCOS
- “But For” Project Gap
 - Given the inclusion of the cost of eligible benefits, there is a gap that fulfills the “but for” case
 - Eligible improvement costs total \$10.4 million
 - Static proforma identifies a gap closure target of about \$11.4 million
 - Project TIF revenues are estimated to be between \$13.6 million (Scenario 1) to \$14.0 million (Scenario 2)
 - TIF for Phase 1 is capped at the cost of eligible improvements of \$10.4 million
 - Additional TIF revenue is reserved for Phase 2 with the attainable housing development