

BRISTOW-LOWELL

Colorado Springs
Urban Renewal Authority



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

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OVERVIEW

- Study Area boundary
- Existing conditions survey
- URA Plan summary
- Financial analysis



EXISTING CONDITIONS SURVEY

BLIGHT FACTORS

C.R.S. 31-25-103

- (a) Slum, deteriorated, or deteriorating structures;*
- (b) Predominance of defective or 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;*
- (g) Defective or unusual conditions of title rendering the title nonmarketable;*
- (h) The existence of conditions that endanger life or property by fire or other causes;*
- (i) Buildings that are unsafe or unhealthy for persons to live or work in because of building code violations, dilapidation, deterioration, defective design, physical construction, or faulty or inadequate facilities;*
- (j) Environmental contamination of buildings or property;*
- (k.5) 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*



FIELD SURVEY

MAY 2021 AND JUNE 2024

- **5** of 11 blight factors were observed
 1. **Street Layout**
 - (b) predominance of defective or inadequate street layout
 2. **Unsafe/Unsanitary**
 - (d) unsanitary or unsafe conditions
 3. **Site Improvements**
 - (e) deterioration of site or other improvements
 4. **Infrastructure**
 - (f) unusual topography or inadequate public improvements or utilities
 5. **Vacancy**
 - (k.5) 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



STREET LAYOUT

POOR PROVISIONS OF STREET IMPROVEMENTS & FOR PEDESTRIANS



UNSAFE/UNSANITARY

EVIDENCE OF VAGRANTS, EXCESSIVE LITTER, & VANDALISM/GRAFFITI



SITE IMPROVEMENTS

DETERIORATED CURB



INFRASTRUCTURE

DETERIORATED PAVEMENT AND CURB, MISSING SIDEWALKS, & UNUSUAL TOPOGRAPHY



VACANCY

VACANT PROPERTY IN GENERALLY URBANIZED AREA

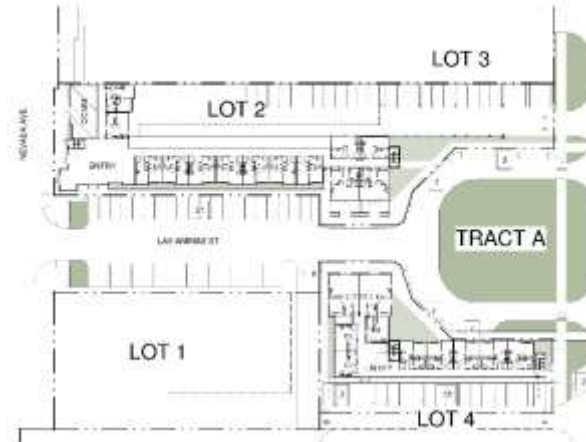


URA PLAN SUMMARY

PROJECT VISION

- Bristow House: 185 units
- Lowell Commons: 185–205 units
- Affordable housing
 - Rents restricted to 70%–110% AMI
- Additional improvements
 - Sidewalks, streetscape, landscaping, and public park

BRISTOW HOUSE



LOWELL COMMONS

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 and provide additional sales tax collections throughout the city



URA GOALS & 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
- 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

- 205 units in two phases
- Affordable project with an average of 90% AMI
- Rents ranging from \$1,300/unit to \$2,400/unit
- Average rental rates of \$1,760/unit or \$3.38/sf
- Average unit size 521 sf

Description	AMI	Units	% Total	Avg. SF per Unit	RBA	Rent per Unit	Rent per SF
Bristow House							
Studio	70%	11	5.9%	411	4,521	\$1,274	\$3.10
1-Bedroom	80%	32	17.3%	513	16,416	\$1,561	\$3.04
1-Bedroom	84%	80	43.2%	513	41,040	\$1,646	\$3.21
1-Bedroom	100%	38	20.5%	513	19,494	\$1,951	\$3.80
2-Bedroom	100%	24	13.0%	621	14,904	\$2,341	\$3.77
Total/Average	88%	185	100.0%	521	96,375	\$1,762	\$3.38
Lowell Commons¹							
Studio	70%	12	5.9%	411	4,932	\$1,326	\$3.23
1-Bedroom	80%	35	17.1%	513	17,955	\$1,624	\$3.17
1-Bedroom	84%	131	63.9%	513	67,203	\$1,712	\$3.34
2-Bedroom	100%	27	13.2%	621	16,767	\$2,435	\$3.92
Total/Average	89%	205	100.0%	521	106,857	\$1,769	\$3.39

¹Annual rent escalation of 2.0% applied for 2 years

Source: Developer; Economic & Planning Systems



ELIGIBLE IMPROVEMENTS

- Total of 8.5 million in eligible improvements
- Value of affordable units
 - 23% of each phase at 70%–80% AMI valued at \$4.9 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	22.6%
Curb, Gutter, and Utilities		\$500,000	11.6%
Historic Bridge		\$50,000	1.2%
Grading for Dog Park and Pickleball Courts		\$250,000	5.8%
Land Planning/Landscaping		\$50,000	1.2%
Public Art		\$50,000	1.2%
Value of Affordable Units	23%	<u>\$2,431,080</u>	<u>56.5%</u>
Subtotal		\$4,304,080	100.0%
Lowell Commons			
Roads and Streetscape		\$500,000	11.9%
Utilities		\$650,000	15.5%
Exterior Improvements		\$500,000	11.9%
Public Art		\$50,000	1.2%
Value of Affordable Units	23%	<u>\$2,506,626</u>	<u>59.6%</u>
Subtotal		\$4,206,626	100.0%
Total		\$8,510,706	

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: \$3.9M/year
 - Rental income: \$3.9M
 - Other income: \$190,000
 - Vacancy: 5.0%
- Operating Expenditures: \$1.0M/year
 - 26% of gross income
- Net Operating Income: \$2.8M

Type	Lease Rate per month	Total Revenue		% of Total		
		Monthly	Annual			
REVENUE						
Rental Income	185 units	\$ 1,762	per unit	\$ 325,910	\$ 3,910,921	95.4% of PGI
Studio	11 units	\$ 1,274	per unit	\$ 14,016	\$ 168,197	4.1% of PGI
1-Bedroom	32 units	\$ 1,561	per unit	\$ 49,940	\$ 599,280	14.6% of PGI
1-Bedroom	80 units	\$ 1,646	per unit	\$ 131,640	\$ 1,579,680	38.5% of PGI
1-Bedroom	38 units	\$ 1,951	per unit	\$ 74,130	\$ 889,556	21.7% of PGI
2-Bedroom	24 units	\$ 2,341	per unit	\$ 56,184	\$ 674,208	16.4% of PGI
Other Income				\$ 15,833	\$ 190,000	4.6% of PGI
Other Income/RUBS ^[1]				\$ 7,708	\$ 92,500	2.3% of PGI
Parking ^[2]	65 units	\$ 125.00	per space	\$ 8,125	\$ 97,500	2.4% of PGI
POTENTIAL GROSS INCOME (PGI)				\$ 341,743	\$ 4,100,921	100.0% of PGI
Net Rental Income				\$ (23,696)	\$ (284,346)	-6.9% of PGI
Less: Residential Vacancy	5.00%	per year		\$ (16,296)	\$ (195,546)	-4.8% of PGI
Less: 80% AMI Utility Reserve				\$ (7,400)	\$ (88,800)	-2.2% of PGI
EFFECTIVE GROSS INCOME (EGI)				\$ 325,448	\$ 3,905,375	95.2% of PGI
EXPENDITURES						
Variable Expenses		\$ 2,625	per unit	\$ (40,469)	\$ (485,625)	12.4% of EGI
Payroll	185 units	\$ 1,300	per unit	\$ (20,042)	\$ (240,500)	6.2% of EGI
Utilities	185 units	\$ 250	per unit	\$ (3,854)	\$ (46,250)	1.2% of EGI
Maintenance	185 units	\$ 700	per unit	\$ (10,792)	\$ (129,500)	3.3% of EGI
Marketing	185 units	\$ 125	per unit	\$ (1,927)	\$ (23,125)	0.6% of EGI
Administrative	185 units	\$ 250	per unit	\$ (3,854)	\$ (46,250)	1.2% of EGI
Non-Variable Expenses		\$ 2,791	per unit	\$ (43,033)	\$ (516,394)	13.2% of EGI
Property Taxes	185 units	\$ 1,419	per unit	\$ (21,875)	\$ (262,500)	6.7% of EGI
Insurance	185 units	\$ 425	per unit	\$ (6,552)	\$ (78,625)	2.0% of EGI
Replacement Reserves	185 units	\$ 250	per unit	\$ (3,854)	\$ (46,250)	1.2% of EGI
Management Fee	3.3% of EGI	\$ 697	per unit	\$ (10,752)	\$ (129,019)	3.3% of EGI
TOTAL EXPENDITURES				\$ (83,502)	\$ (1,002,019)	25.7% of EGI
NET OPERATING INCOME (NOI)				\$ 234,546	\$ 2,814,556	72.1% of EGI



STATIC PERFORMANCE: WITH AND WITHOUT TIF

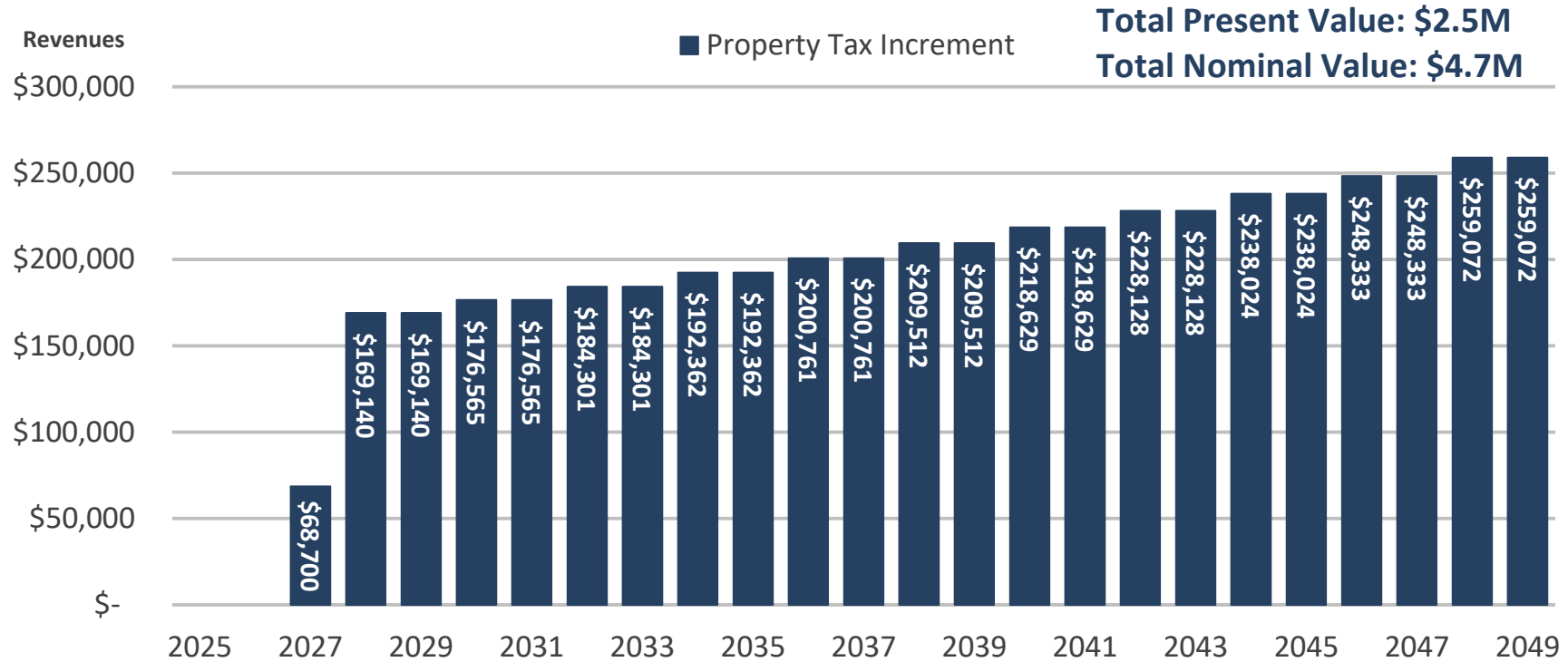
BRISTOW HOUSE

- Target hurdle rate: 6.33% YOC
 - NOI/Cost
- In order to achieve that hurdle rate, net project costs need to be reduced by \$18.5M
- 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 4.65%

NET OPERATING INCOME (NOI)	\$ 234,546	\$ 2,814,556
HURDLE RATE		6.33%
ACTUAL YIELD ON COST (YOC)		4.47%
NET DEV. COST TARGET		\$ 44,463,761
ESTIMATED DEVELOPMENT COST		\$ 62,990,701
GAP: COST		\$ 18,526,940
PERFORMANCE WITH SUBSIDY		
Net Operating Income		\$ 2,814,556
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		4.65%



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 \$ 6,500,000	\$ 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 \$ 2,054,272	\$ 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 \$ 2,232,363	\$ 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: \$4.5M/year
 - Rental income: \$4.3M
 - Other income: \$363,000
 - Vacancy: 5.0%
- Operating Expenditures: \$1.2M/year
 - 26% of gross income
- Net Operating Income: \$3.3M

Type	Lease Rate per month	Total Revenue		% of Total	
		Monthly	Annual		
REVENUE					
Rental Income	205 units	\$ 1,762 per unit	\$ 362,739	\$ 4,352,863	92.3% of PGI
Studio	12 units	\$ 1,326 per unit	\$ 15,908	\$ 190,900	4.0% of PGI
1-Bedroom	35 units	\$ 1,624 per unit	\$ 56,829	\$ 681,943	14.5% of PGI
1-Bedroom	131 units	\$ 1,712 per unit	\$ 224,269	\$ 2,691,230	57.1% of PGI
2-Bedroom	27 units	\$ 2,435 per unit	\$ 65,732	\$ 788,790	16.7% of PGI
Other Income					
Other Income ^[1]			\$ 8,020	\$ 96,237	2.0% of PGI
Parking ^[2]	171 units	\$ 130.00 per space	\$ 22,230	\$ 266,760	5.7% of PGI
POTENTIAL GROSS INCOME (PGI)			\$ 392,988	\$ 4,715,860	100.0% of PGI
Net Rental Income					
Less: Residential Vacancy	5.00% per year		\$ (18,137)	\$ (217,643)	-4.6% of PGI
EFFECTIVE GROSS INCOME (EGI)			\$ 374,851	\$ 4,498,217	95.4% of PGI
EXPENDITURES					
Variable Expenses		\$ 2,785 per unit	\$ (47,575)	\$ (570,897)	12.7% of EGI
Payroll	205 units	\$ 1,379 per unit	\$ (23,561)	\$ (282,730)	6.3% of EGI
Utilities	205 units	\$ 265 per unit	\$ (4,531)	\$ (54,371)	1.2% of EGI
Maintenance	205 units	\$ 743 per unit	\$ (12,687)	\$ (152,239)	3.4% of EGI
Marketing	205 units	\$ 133 per unit	\$ (2,265)	\$ (27,186)	0.6% of EGI
Administrative	205 units	\$ 265 per unit	\$ (4,531)	\$ (54,371)	1.2% of EGI
Non-Variable Expenses					
Property Taxes	205 units	\$ 1,505 per unit	\$ (25,716)	\$ (308,593)	6.9% of EGI
Insurance	205 units	\$ 451 per unit	\$ (7,703)	\$ (92,431)	2.1% of EGI
Replacement Reserves	205 units	\$ 265 per unit	\$ (4,531)	\$ (54,371)	1.2% of EGI
Management Fee	3.3% of EGI	\$ 734 per unit	\$ (12,543)	\$ (150,516)	3.3% of EGI
TOTAL EXPENDITURES			\$ (98,067)	\$ (1,176,807)	26.2% of EGI
NET OPERATING INCOME (NOI)			\$ 276,784	\$ 3,321,409	73.8% of EGI



STATIC PERFORMANCE: WITH AND WITHOUT TIF

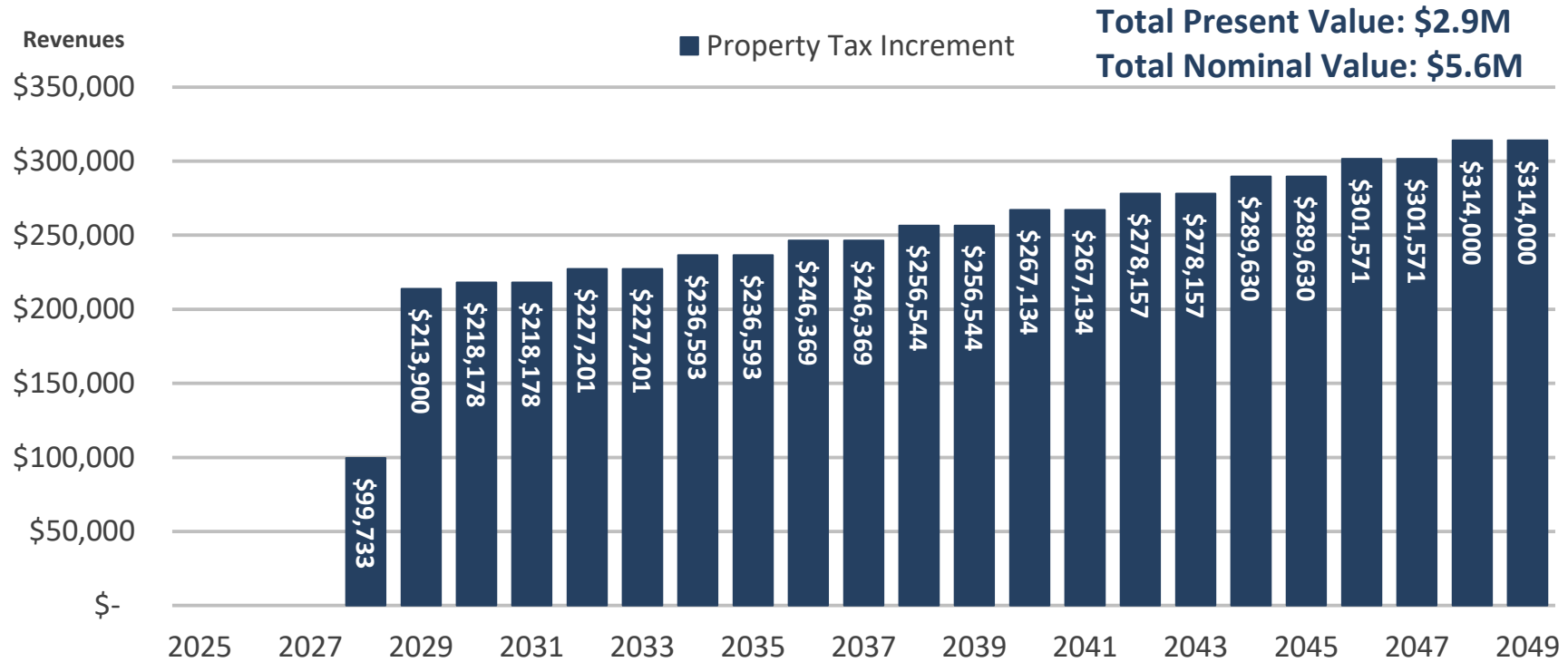
LOWELL COMMONS

- Target hurdle rate: 6.33% YOC
 - NOI/Cost
- In order to achieve that hurdle rate, net project costs need to be reduced by \$12.6M
- 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 5.34%

NET OPERATING INCOME (NOI)	\$ 276,784	\$ 3,321,409
HURDLE RATE		6.33%
ACTUAL YIELD ON COST (YOC)		5.10%
NET DEV. COST TARGET		\$ 52,470,923
ESTIMATED DEVELOPMENT COST		\$ 65,096,709
GAP: COST		\$ 12,625,786
PERFORMANCE WITH SUBSIDY		
Net Operating Income		\$ 3,321,409
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		5.34%



TIF REVENUE: PROPERTY TAX INCREMENT



Source: Economic & Planning Systems

CONCLUSIONS

- Exceeds blight requirement with 5 of 11 blight factors present
- 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 \$8.5 million
 - All units restricted to 70%–110% AMI
 - Static proforma identifies a gap closure target of approximately \$31.1 million for both phases
 - Project TIF revenues will be approximately \$5.3 million for both phases
- EPS recommends CSURA approve a TIF allocation of property and sales tax for the 25-year increment based on this analysis

