Tax Increment Financing Application

for

**335 Victoria St. and 202 Las Animas St**

**Colorado Springs, CO 80903**

Presented by BCR Management, Inc.

March 7, 2021

The Colorado Springs Urban Renewal Authority

30 S. Nevada Ave. #603

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**1. Where is the project located?**

The project is located within the Lowell Neighborhood with close proximity to downtown and Shooks Run.

**2. What is the size of the parcel?** The site is comprised of 8 parcels that are just under 9 acres.

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**3. What is the intended development program (square feet by use)? Existing and proposed zoning?**

The project is comprised of 2 phases.

1. The first phase will be to build 280 units of low-income and affordable housing. This will be done using Low Income Housing Tax Credits. This phase will be comprised of approximately 173,000 SF. This will serve people earning between 30% and 70% of the El Paso County Median Income as defined by HUD. This will be on land that is South of Fountain Blvd and is zoned PUD. The zoning will not need to be changed. This part of the project is being called Draper Commons.
2. The second phase of this project will be approximately 180 units of attainable housing. This would be accomplished by using a HUD 221(d)(4) financing. This phase is aimed at “attainable” housing rates and serve people earning between 80% and 130% El Paso County Median Income as defined by HUD. This is on 3 lots on Las Animas St which is zoned PUD. The site is expected to be rezoned. This part of the project is being called Lowell Commons.

**What is the development time frame for the project? What phase in the City’s Land Use Review Process is the project within? Will it be phased?**

Draper Commons has submitted its development plan to the City while conceptual design for Lowell Commons is underway. It is expected that Draper Commons will break ground in the summer of 2021 and Lowell Commons will break ground in the summer of 2022.

**5. What is the entity that is doing the project and is it the entity that will be applying for URA funds?**

BCR Management (Thomas Brattle Gannett “Toby”) will lead the URA process. The entity would be a new LLC that would be composed of Thomas B. Gannett “Toby” of BCR Management, Brendan Clarke CCIM of Clarke Commercial Group.

**6. What is the proposed revenue sharing for the project, total cost and expected return to the developer?**

The developer is seeking tax relief for the project through the Urban Renewal Authority. Low-Income, Affordable and Attainable housing is made difficult due to rising land and construction costs. This is especially true in downtown Colorado Springs where land costs have skyrocketed. Recent sales of apartments projects downtown at record rates have further increased property taxes downtown. But for the tax exemption affordable housing is not possible. The developer would benefit from the developer fees derived from the LIHTC part of the project, over half of which will be deferred to make the project possible.

**7. Does the project envision utilizing property tax, sales tax, and/or private property tax increments?**

The project would envision utilizing primarily property tax and sales tax increments and possibly a private property tax. A portion of the Phase II, may house commercial space for collaborating non-profits, small restaurants and meeting spaces. These may generate some sales tax, but the amount is not known at this time.

**8. What private developer funding is being allocated to the project and what is the financing schedule and developer’s source of funds.**

The project will be a combination of existing equity in the land valued at approximately $7,000,000 and deferred developer fees in excess of $2,738,000. The capital stack for phase I would be made up of: $23.5M in CHFA debt; $3M from CHIF; $21M in Private Activity Bonds (PAB). $400,000 in HOME Funds; $1,400,000 in incentives and, up to $1.42M in deferred developers’ fees.

Phase II design is underway. Preliminary estimates for Phase 2 are $33,000,000+ in the form of HUD 221 (d)(4) loan; deferred developer fees of $1,320,000; and would include structured parking.



**9. What is the developers experience with TIF, urban renewal and operations?**

Toby Gannett has served on the Board of the Colorado Springs Urban Renewal Authority since 2016. Clarke Commercial has experience in commercial development – including Mission Trace - ownership, commercial property sales and leasing and is a former fighter pilot.

**10. Does the project work without tax-increment financing? What would be different without the use of TIF?**

The proposed development would not work without tax-increment financing. When utilizing the four-percent non-competitive tax credits program it requires that we offer reduced rents compared to market rate rents. Rents for Phase I will start in the low $400’s including utilities. Phase II would be below market rents as well and require expensive structured parking. The project would also not work without TIF financing as there would not be sufficient funds to pay the debt service on the property. Recent changes to the 4% LIHTC program have made the program stronger but have also increased the costs and requirements by CHFA. These changes have increased the debt that a 4% project carries. This has then increased the debt payments. Only though the Urban Renewal Authority will this project work. Without URA status, the land will be developed as market rate. The current valuation of the land begs for market rate development, but the Development Team is dedicated to affordable housing for Colorado Springs, if it can be made possible through collaborating with the URA.

**11. How many housing units will the project provide? Affordable?**

Draper Commons will be comprised of 280 units. They will all serve people earning 70% or under the EL Paso County Area Median income. Lowell Commons will be comprised of approximate 180 units and will serve people earning between 80% and 130% El Paso County Area Median Income. Colorado Housing Finance Authority has identified this range as a key priority as it is working to address the need for 70% AMI and below but has few tools for this income bracket. As housing prices have increase, it is becoming increasingly hard for people in this income bracket to find housing. These would be our teachers, civil servants, retirees, and other important community workers.

**12. What are any known environmental conditions or hazardous materials on site?**

There are no known environmental or hazardous conditions on site. There is a clean Phase I Environmental Report on the land. The land was once home to some of Colorado Springs’ most affordable housing, before it was demolished.

**13. What is the public benefit/purpose of this project and how will its development benefit the neighborhood, city districts and/or county/state?**

The project aims to address, in a small way, the desperate need in our community for Low-Income, Affordable and Attainable housing. The development team has taken careful consideration Plan-COS, Home-COS and the Shooks Run Master Plan. The team has also taken into account the Lowell Master Plan which requires at least 5% of all units be devoted to affordable housing. With 3 new market rate projects in the works in the neighborhood, Draper Commons and Lowell Commons will keep true to the original master plan. The Development team has been working with Concrete Couch on the possibility of commissioning art for the project that will be created through the collaboration of local artists and students from local schools. The Development team and Concrete Couch are in active discussions about the abandonment of the rail spur that is approximately 2 miles long. This rail line easement runs through Draper Commons. With potential funding from Federal Brownfields grant, several groups are working towards turning this 50 Ft easement that runs through the city into an “Arts Walk”. An example of this would be

<https://40westartline.org/>

This work is well underway with leading arts and civic organizations. This trail could connect the USOM with Concrete Couch, Cottonwood Center for the Arts and the Downtown Auditorium among others. It could add 6 acres of linear park to the downtown.

**14. How do you foresee the long-term viability of the development, specifically beyond the URA TIF timeline?**

The Urban Renewal Authority designation will enable the development to finance the costs of construction through enabling the developer to pay the cost of more debt service. Developments face their greatest challenge in the early years, especially Low-Income, Affordable and Attainable housing. The Urban Renewal designation will be catalytic for the project. When the URA TIF timeline expires the project would be able to support itself and or partner with the Colorado Springs Housing Authority as a long-term partner in building our communities affordable housing portfolio.

**15. What risks does the project pose to the city, county and other districts and how are those risks being mitigated? How will this project impact other Urban Renewal Areas (positively or negatively)?**

This will be the first URA project in the downtown area that aims at addressing the need for Low-Income, Affordable and Attainable housing. The project has been designed around the need to have people of diverse incomes and backgrounds in the downtown area. The Development Team believes that there is a risk that almost all the new development planned downtown is at market rate and not accessible to many people living in our community. At the same time, many people who work downtown can not afford to live in the community in which they work. This project is an attempt to mitigate this risk. It is anticipated that this project will compliment the other URA projects going on in the downtown by providing affordable housing options for the people working at places like the new US Olympic and Paralympic Museum, Switchback Stadium, CC Hockey Stadium and many local restaurants and retailers.

**16. How do plans for this project compare to other approved projects or urban renewal areas?**

This project is similar to the Zeblon Flats project recently approved by the URA. At the same time, the Development Team strongly believes that when you look at the core values of the URA, this project may be most in alignment. There has been debate about the URA’s involvement in “greenfield sites”, “gentrification”, “supporting winners and losers” and what the role of the URA has in Economic Development. This project, at its core, is about sustainable, Low-Income, Affordable and Attainable housing for the working class in our community as housing and cost of living prices skyrocket.

This project will combine the strengths of URA, the City, County, State, Federal Government, the and the Private Sector to address critical needs for our community and our residents. This project has elements of other URA projects. It is only viable, if all the different layers of city, state, federal programs are combined with private development commitment to affordability in housing.

**17. How will this project impact/ incorporate current residents and businesses in or near the project area?**

The Development team has been working with the City Parks department and Concrete Couch on how to complete the Legacy Loop as the trail goes through these two properties. They have also been working with Parks to potentially add a neighborhood dog park and community gardens. There have also been talks of a gift of land from the developer of the historic railroad bridge that goes over Shooks Run as part of the Legacy Loop completion. Shooks Run is part of the historic Emerald Necklace designed by Fredrick Olmstead and commissioned by General Palmer.

This area has been a collection point for homeless camps. Only recently, these camps led to a fire on the property in which Colorado Springs Police and Fire had to extinguish. This project aims at putting people in houses who may not be able to afford them. The aim of this project is to improve the area for the people living in the area now, and hundreds of people who will call it home in the future. If the Development Team and City are able to create an Arts Walk there would be new park and pedestrian space for the neighbors to enjoy. The site is very pedestrian and bike friendly. This project is one of many underway on Shooks Run from Pikes Peak to Coyote Couch.

**18. What considerations have been made in regard to minority or woman-owned businesses for the project?**

As rents in downtown have hit historic highs, they have pushed those who earn less out of the downtown. This has disproportionally affected people of color and women who historically earn less than their male counterparts. This project will follow all HUD requirements as to equal access under the Fair Housing Act which will provide affordable housing to all people. There will be a strong push in Phase II to have minority, women owned and local businesses if there is commercial space.

**19. How will this project impact public services (transit, police/fire, schools, and libraries)?**

In short, we hope a great deal. Too many LIHTC projects are far from transit hubs – especially for people relying on public transportation; this adds hours to their existing workday. This project is adjacent to the Legacy Loop and next to 2 different bus routes. We hope to partner with SD-11 to provide affordable and low-income housing for their teachers and staff who can no longer afford to live in the district. The Development Team anticipates that once these blighted lots are developed there will be less need for CSPD and CSFD to police the area and respond to emergencies brought about but the homeless population. The hope is that by working to address affordable housing, that there will be fewer homeless people relying on the social services provided by the PPLD.

**20. How will this project impact the tax base surrounding the area?**

The Lowell Neighborhood has had many successful developments. The neighborhood is now a hotbed for development as all of the remaining vacant land is under development (37%). Much of this development is at market rate and will increase the tax base for the surrounding area. To not develop these lots would lower the tax base of the area due to the homeless camps. By developing these properties, the areas tax base should increase due to increased value. A recent study by the Colorado Springs Housing department confirmed that Low-Income housing does not lower property values, and this is mirrored by national studies. Due to rising desire to be downtown, and rising land prices, it is expected that the local tax base will increase significantly.

**21. Are you looking to bond, and if so, how do you foresee the bonds of the project being administered?**

The project is not looking to bond.

**22. What considerations have been made for affordable housing with the project?**

The Project is Low-Income, Affordable and Attainable housing for downtown Colorado Springs.

**Please see Exhibit A**

**Exhibit A**

**Narrative and Summary**

For the past several years, there has been intense community focus on the need for affordable and low-income housing, especially in the downtown area of Colorado Springs. Several years ago, the Innovations in Aging Collaborative realized that affordable housing for seniors was going to be a significant problem for Colorado Springs. As such, they began studying how to best prepare for the coming shortage. They had no idea how strong the Colorado Springs housing market would become, which would only exacerbate the problem.

In order to find best practices in affordable housing, the Innovations in Aging Collaborative hired the Quad Innovation Partnership to study the issue. The Quad students worked for several semesters on the problem. They looked at LIHTC financing, sustainability, common area space design, age isolation, communal gardens. This project has attempted to incorporate wherever possible the recommendations of the Quad. From the beginning the Development Team has been working with the Independence Center and 100% of the apartments will be built using “Universal Design”.

These apartments are in desperately short supply in Colorado Springs, especially at lower price points. The projects will also be built using green built technology. These features will include modular construction, Energy Star appliances, Photo Voltaic Solar, Low E Windows, electric vehicle charging stations, highly efficient HVAC systems, and many features to make the project “bike friendly”. Overall,

the project will earn twice as many points as what it takes to earn NGBS “Silver Accreditation”.

Finally, the Development team is working with Concrete Couch to have art displayed on the campus, and to create an Arts Walk for Colorado Springs. They are also working with City Parks on completion of the Legacy Loop, a new neighborhood dog park and community gardens.

**The Mission of the Colorado Springs Urban Renewal Authority is to encourage private investment and investment that restores targeted areas with strong community’s benefits while strengthening the tax base of the city.**

**Exhibit B**

**Vicinity Map**

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**Exhibit C**

**Location of parking, parking access and total parking count Las Animas**

**A picture containing building, outdoor, sky, street

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Diagram, engineering drawing

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Diagram, engineering drawing

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**Location of parking, parking access and total parking Draper**

Diagram

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Diagram

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**Exhibit D**

**Development Team**

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Toby Gannett grew up in the development business as his father built the largest Real Estate company in New England and developed a ski area recently sold to Vail Resorts. He has been in the commercial Real Estate and development business since 2000 and has developed, managed, owned, successfully sold numerous projects that have earned over 30 national, state, and local awards including 2 National Home Builders Awards. These projects have included apartments, retail, office, mixed use, and senior housing projects. He has taken the past few years outside of commercial development to go to school, however, he is returning to Real Estate to address the community need for affordable and low-income housing. He has served for the past 4 years on the Colorado Springs Urban Renewal Authority.

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Brendan Clarke served as a fighter pilot for the Royal Air Force and the Royal New Zealand Air Force (RNZAF). After retiring as a Major from the RNZAF he flew Boeing 777’s for Air New Zealand. Brendan is a veteran military and airline pilot with more than 9,000 hours of worldwide experience. Brendan has been in commercial Real Estate since 2013 and has attained the highest certification in commercial Real Estate as a Certified Commercial Investment Manager (CCIM). He has been a broker, investor, and property manager in dozens of projects along the front range of Colorado. He currently runs his own independent firm – Clarke Commercial. Brendan and Toby worked to have Mission Trace (another LIHTC project) be placed under an Urban Renewal Area.

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The Development Team includes:

Tremmel Design Group

S.B. Clark Financial

Colarelli Construction

Tappis Associates Inc

Kutak Rock LLP

Whitehead Engineering LLC

EnTech Engineering Inc

Rocky Mountain Land Services