

# O'neil Group Company Mixed Use Development

An application for URA designation prepared on behalf of the O'Neil Group Company for consideration by the Colorado Springs Urban Renewal Authority.

# Table of Contents

I.	Application Questionnaire	2
II.	Project Summary & Narrative	5
III.	Vicinity map	7
IV.	Parking, Public Art, and Historic Structure Narrative	8
V.	Project Team Description	10
VI.	Pro Forma & Financial Narrative	17
VII.	Cost Estimates for Eligible Public Improvements	19
VIII.	Conceptual Design & Site Plan	20
IX.	Appendices	
	a. County Ad Valorem estimate	
	b. Economic Impact Report	
	c. Project Schedule	

## Application Questionnaire

### 1. Where is the project located?

The project includes two major components, a 25-story residential tower and a 11-story office tower. The towers are planned for two separate assemblages both located on the block bound by Sahwatch to the west, Cascade to the east, Costilla to the south, and Vermijo to the north.

The commercial component of the project is planned for the northeast corner of the block on parcels currently addressed as 310 S. Cascade Ave. and 11 W. Vermijo Ave. The residential component of the project will be sited at the southwest corner of the block on parcels currently addressed as 14, 20, 22, and 30 W. Costilla.

It should be noted that the commercial component of the project is located within the existing Museum & Park URA. As such, this application does not seek URA TIF on that site; rather, the application specifically seeks URA sales tax and property tax increment on the residential component only.

### 2. What is the size of the parcel(s) for the project?

The parcels comprising the residential component total 47,500 square feet or approximately 1.09 acres. This includes 14, 20, 22, and 30 W. Costilla with no accompanying right-of-way vacations.

The parcels comprising the commercial component of the project total 35,253 square feet or approximately 0.81 acres. This includes 11 W. Vermijo, 310 S. Cascade, and a 10 foot right of way vacation spanning 200 feet of frontage along Vermijo Avenue.

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

The commercial component will total 292,194 gross square feet with the following uses:

- 13,507 square feet of ground floor retail
- 108,935 square feet of parking in a five-level podium with 250 total parking stalls
- 147,981 square feet of net rentable office space on floors 2-12
- 3,161 square feet of amenity space
- 14,106 square feet of back of house/service space

The residential component of the project will total 594,857 gross square feet with the following uses:

- 11,588 square feet of ground floor retail
- 164,958 square feet of parking in a five-level podium with 405 total parking stalls
- 316 units totaling 314,701 square feet of net rentable residential space on floors 2-25
- 28,286 square feet of amenity space
- 16,017 square feet of back of house/service space

**4. 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?**

We will submit one development plan representing both projects in November 2021 with approval expected by late February 2022. Site grading permits, demolition permits, and foundation permits for both towers will be submitted between December 2021 and April 2022, with all approvals expected by June 2022.

Grading at the office tower site will occur from February-May 2022 with foundation work proceeding from April-July 2022. Vertical construction will begin in September 2022 with completion expected by September 2023. Office will be delivered as core and shell, and therefore, further interior construction will continue beyond September 2023 based on tenant acquisition.

Demolition of existing structures at the residential site will occur from January-March 2022 with grading work to be completed by May 2022. Work on the residential foundation will span June-August 2022 with vertical construction beginning in October 2022 with completed expected by July 2024.

This timeline is dependent on City reviews and is also subject to change based on fluctuations in the supply chain, labor availability, and overall market conditions.

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

14 Costilla LLC, a subsidiary of the O'Neil Group Company, is the ownership entity for the residential component of the project. The O'Neil Group company, doing business as 14 Costilla LLC, is the entity submitting the URA application.

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

We propose the following revenue sharing structure with existing sales and property tax entities:

*Sales Tax Shares*

- State Sales Tax: 100 percent of increment retained by URA
- County Sales Tax: 100 percent of increment retained by URA
- City Sales Tax: 87.5 percent of increment retained by URA
- City Special Tax: 100 percent of increment retained by URA

*Property Tax Shares*

- El Paso County Property Tax: 100 percent of increment retained by URA
- El Paso County Road & Bridge: 100 percent of increment retained by URA
- City Property Tax: 100 percent of increment retained by URA
- City-County Road & Bridge: 100 percent of increment retained by URA
- District 11: 100 percent of increment retained by URA

- Pikes Peak Library District: 50 percent of increment retained by URA
- Southern Colorado Water Conservancy District: 100 percent of increment retained by URA
- Colorado Springs Downtown Development Authority: 60 percent of increment retained by URA

Total project costs for both buildings are estimated at \$270,093,017 with the residential component forecasted at \$185,560,293 and the commercial build expected to cost \$84,532,723. The total expected return to investors in the project is \$97,370,000 assuming a sale price of \$307,050,000 after 11 years.

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

The project envisions using both property tax increment and sales tax increment.

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

The developer is contributing funds from their personal wealth. More than \$34 million in total equity from the developer and other investors has been raised to date. Debt financing for the project is expected to be issued in...

**9. What is the developer's experience with TIF, urban renewal and operations?**

This is our first application for URA designation to support a project. We have retained attorney Paul Benedetti to advise us on the URA formation process.

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

Without TIF, the project's IRR falls from 10.54 percent to 8.25 percent, which will jeopardize private financing from equity partners who have been promised a minimum IRR of 10 percent.

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

The project will provide 316 residential units consisting of studios, one-, two-, and three-bedroom apartments.

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

A Phase I environmental assessment has been completed at both sites. On the residential site, an underground storage tank was detected. A Phase II environmental assessment has been scheduled to determine what was stored in the underground tank. OGC has also hired an environmental hygienist to assess any hazardous materials that will need abated in order to demo existing structures on the property in line accordance with State requirements.

## Project Summary & Narrative

The proposed project represents a historic step in the evolution of Colorado Springs' urban core. The project will not only deliver the first new Class-A office space downtown in more than 20 years but will also enhance the city's skyline with the development of a 25-story residential high rise that will become the tallest building in Colorado Springs.

After years of planning and significant public investment in infrastructure and streetscape improvements along Vermijo Avenue, the proposed project represents the first new private development along what the City has deemed a signature street in the heart of downtown. To fulfil the City's vision of establishing Vermijo Avenue as a destination corridor, this type of private investment in high quality complementary land use is critical to create vibrancy and commercial activity where there is currently a proliferation of surface parking lots and non-engaging civic buildings such as Centennial Hall and the County Judicial complex.

The proposed project consists of two-towers on the block bounded by Sahwatch to the west, Cascade to the east, Vermijo to the north, and Costilla to the south. On the northeast corner of the block at Vermijo and Cascade, OGC will develop an 11-story office tower with 13,507 square feet of ground floor retail and a five-level parking podium with 250 total stalls. The office tower will provide 147,981 square feet of net rentable Class-A office space with 3,161 square feet of indoor amenity space and a 26,343 square foot outdoor amenity terrace on top of the parking podium.

The second component of the proposed project is a 273-foot tall 25-story residential tower with 316 total units comprising a mix of studios, one-, two-, and three-bedroom apartments. The residential tower will include 11,588 square feet of ground floor retail; 5,760 square feet of indoor amenity space; a 28,286 square foot outdoor amenity terrace, and a five-level 405-stall parking podium. The residential tower will be located on the southwest corner of the block at Sahwatch and Costilla.

This application seeks sales tax- and property tax-based TIF reimbursements to support the development of the residential component only. It should be noted that the commercial site already lies within the existing Museum & Park URA. As such, the application does not seek any increment on that site. The residential site currently lies within the existing Southwest Downtown URA. The application requests that this site be removed from the existing boundaries of the Southwest Downtown URA and given a fresh 25-year clock for accruing sales and property tax increments.

The residential component of the project will deliver 316 luxury units that will reset the market for downtown residential product. Most importantly, it will provide desperately needed supply at a time when demand continues to grow for urban residential units. The project will consist of 75 studios, 149 one-bedroom units, 84 two-bedroom units, and 8 three-bedroom units. Amenities at the property will include smart home technology, a state-of-the-art fitness center, a spin/yoga studio, a spa, a resident lounge, a bike storage and maintenance center, co-working space, secure tenant storage, a dog run, turnkey package delivery service, and a 28,286 square foot pool deck with outdoor grills and cabanas.

The office component of the project will feature true Class-A space in a marquee location along the recently reimagined Vermijo Avenue corridor. The design will incorporate technology-enabled winter gardens that will provide tenants open air conference rooms that can be used year-round, providing an amenity that does not currently exist at any other office property downtown. The property

will also include a 26,343 square foot outdoor deck and event space along with several private terraces for tenants. The building will feature a mix of floorplates ranging from 8,240 square feet to 18,240 square feet, which will be among the largest contiguous office floor plates downtown.

This project aligns closely with the goals and the mission of the Colorado Springs Urban Renewal Authority (CSURA). Foremost, the two sites currently consist of a surface parking lot, two residential structures converted to office use, and an old vacant warehouse. Given the location of these sites in the heart of downtown, they currently function well below their highest and best use. The condition of these sites and the inherent challenges they present for infill development will undoubtedly meet the requirements for blight designation.

The CSURA's stated mission is "to encourage private investment and reinvestment which restores targeted areas with strong community benefits while strengthening the tax base of the whole city... to facilitate development of balanced, sustainable environments where people, live, work and come together as a community."

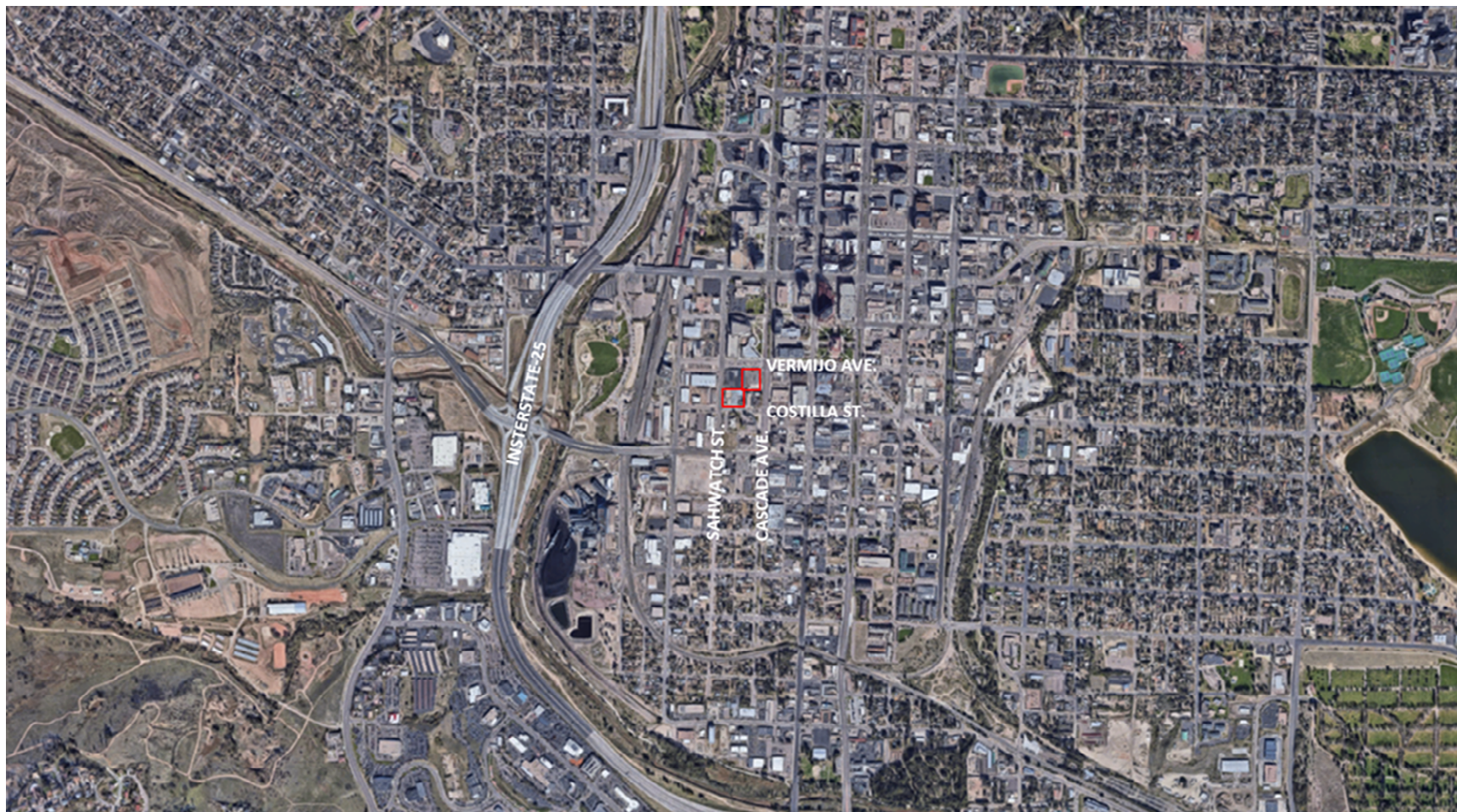
The project represents the largest single private mixed-use development proposed downtown in decades, with a total investment of approximately \$200 million. An economic impact study prepared by Dr. Tatiana Bailey of the UCCS Economic Forum found that the project will generate a direct local tax impact of roughly \$4.6 million through construction and seven years of operation (2022-2030). The report further indicates that the total direct economic impact of the project through construction and seven years of operation is expected to be \$321,707,949.

The mixed-use nature of this project embodies the live, work, play dynamic that is critical to downtown vibrancy and promoted by the mission of the CSURA. The project will contribute to downtown employment growth by attracting talent to the residential component and attracting employers to the office component. An unfortunate reality of the downtown office market today is that it is nearly impossible to find 10,000 square feet or more of contiguous class-A space. This project will help downtown finally overcome that hurdle to attracting new businesses and jobs to the urban core. Coupling the office development with an iconic residential tower further positions the project as a prestigious destination for business and talent.

Working with world class firms such as Tryba Architects and GE Johnson Construction ensures a level of design and construction quality that will help set a new architectural standard for downtown, following in the footsteps of the nearby U.S. Olympic & Paralympic Museum (USOPM).

Public investment in this area of downtown has been significant in recent years. Completion of the USOPM and the new downtown stadium represent exciting new attractions. However, there is yet to be a large-scale private development to attract people to the area on a daily basis. This project creates vibrancy and economic activity that goes beyond game day or isolated visits to the museum. This project will deliver the first new residents and employees that are critical to the growth and success of southwest downtown.

## Vicinity Map





## Parking Narrative

Each proposed tower will be built with its own five-level parking podium. The two podiums will be connected by drive lanes on the upper levels to allow for shared use between the garages that will maximize efficiency. To justify this approach, OGC contracted a shared parking analysis by Kimley-Horn, which can be shared with the CSURA board upon request.

The parking structure at the office tower will be 108,935 square feet with 250 total stalls. The efficiency of the garage ranges between 386 and 494 square feet per stall. The podium will be wrapped with office on the Vermijo side creating a more engaging building wall along the Vermijo streetscape.

Access to the office garage will come from Cascade Avenue, and there will be no curb cuts or access points along Vermijo.

The residential garage will be 164,958 square feet with 405 total stalls. The efficiency of the garage will range between 369 and 446 square feet per stall. The residential podium will be wrapped with units on the Costilla side. Access to the garage will come from Sahwatch with a porte-cochere on Costilla.

The office garage will be fully public with minimal, if any, access controlled or dedicated parking. However, the residential garage is intended to have a substantial portion of stalls dedicated to use by residents with access controls. The remaining stalls not dedicated to resident use will be made available for public use. This will likely take the form of the first level of the podium being open to public use and upper floors being limited to resident use.

OGC has contracted Felsburg, Holt & Ullevig to complete a traffic impact analysis to determine how ingress and egress from the proposed parking garages will affect traffic in the area.

## Public Art Narrative

Multiple potential public art sites have been identified at both the residential tower and the office tower. The most prominent sites are blank walls on both parking structures. On the commercial parking garage, the west facing wall will be a solid blank wall with no glazing or screening, and on the residential garage, the north facing wall will also be a solid blank wall with no glazing or screening.

Both of these walls face an undeveloped parcel on the northwest corner of the block that will eventually see new vertical construction. That new construction will ultimately obstruct views of the blank parking garage walls from the street. However, in the interim, before vertical construction occurs on that northwest parcel, both of these walls present compelling opportunities to install large scale installations in the form of traditional murals or even as light projected murals.

The development of both buildings will require significant streetscape and public realm improvements along Vermijo, Cascade, Costilla, and Sahwatch. Both Costilla and Sahwatch, specifically, are lacking adequate sidewalks and pedestrian amenities, presenting opportunities to infuse public art into a newly constructed streetscape. Several sites within the amenity zone of the public right of way have been identified as potential public art sites.

The design team is committed to identifying additional opportunities for artistic interventions in the proposed development. Some preliminary ideas include artistic treatments of street facing vents covering transformer vaults, installing sculptural pieces in street facing lobbies and retail spaces that are open to the public, and integrating art in the public alley running east-west between the two project sites.

With URA support, the project will have the financial capacity to maximize opportunities for public art throughout the development.

### *Potential public art sites*



## Historic Structures Narrative

There are three existing structures on the residential site, two single family residential properties that have been converted to office uses at 14 and 20 Costilla Street and an old vacant warehouse at 22 and 30 Costilla Street.

While none of these properties have historic designation, OGC is making efforts to preserve the two structures at 14 and 20 Costilla Street. Ideally, OGC would like to partner with an affordable housing provider to relocate the structures within the city and make them available for housing. OGC has convened discussion with Partners in Housing as well as the Rocky Mountain Community Land Trust, though no relocation sites have been identified or secured to date.

If new sites for these structures cannot be secured in a timely manner, then they will be demoed to allow for new construction.

## Project Team Description

### Developer: The O'Neil Group Company

#### *Kevin O'Neil, Founder & CEO*

Born in Colorado Springs, Kevin is a relentless and fearless serial entrepreneur, committed to innovating his way to success and enriching the community around him as he goes.

Kevin's current business interests and portfolio range from aerospace and cyberspace technology to real estate development and management via diversified holdings with The O'Neil Group Company. His crossover between business and real estate began in the 1980s when Kevin took advantage of Colorado's housing boom and spent 20 years in the retail, commercial, and residential textile businesses. His last textile company ultimately became a division of the Home Depot.

Prior to its sale in the fall of 2020 for \$300 million, Braxton Science and Technology Group experienced twelve years of growth, seven successful acquisitions, grew to six hundred employees and experienced 25x revenue growth.

In 2015, Kevin launched the Catalyst Campus in downtown Colorado Springs, a collaborative ecosystem where small businesses, entrepreneurs, startups, and venture capital intersect with the aerospace and defense industry to create community, develop the workforce, spark innovation, and stimulate business growth. Since its inception, Catalyst Campus has created over twelve hundred jobs and injected \$270M in local economic impact.

Kevin is determined to see Southern Colorado thrive. He is proud of his recent \$3 million donation to University of Colorado in Colorado Springs and is passionate about creating investments that will have a real-life, long-term impact on the region.

Kevin earned his Bachelor of Science in Business at University of Colorado in Colorado Springs.

#### *Scott Lamphear, Chief Operating Officer*

Scott and his team lead the process of turning ideas and opportunities into executable operations, including the on-ramping of new business and real estate holdings into the company's portfolio of investments. He brings over 20 years of experience in business operations, with deep ties to the defense industry. Prior to joining The O'Neil Group, Scott served as CFO of TechWise, a Colorado Springs-based, international defense company.

Beyond the boardroom, Scott has served as an assistant coach for both men's and women's soccer at Colorado College and was inducted into the University of Wisconsin Athletic Hall of Fame. He earned an MBA from the University of Colorado in Colorado Springs and a BS in Chemical Engineering from the University of Wisconsin.

*Julie Brooks, Vice President of Construction & Property Management*

As Vice President of Property Management and Construction for The O'Neil Group, Julie Brooks brings nearly 25 years of residential and commercial management experience to the organization. Julie is involved in the company's strategic investment direction including acquisitions, capital deployment, asset management, and construction. She serves on the Greater Downtown Colorado Springs Business Improvement District (BID), appointed by the Colorado Springs City Council. Julie is also an active member of the Institute of Real Estate Management (IREM) and the International Facility Management Association (IFMA). She shares The O'Neil Group's vision to bring additional economic growth and investment to the Pikes Peak region.

Julie's motto is: Success is not final; failure is not fatal: it is the courage to continue that counts." – Winston Churchill.

*Patrick Stephens, Chief Financial Officer*

Patrick is responsible for oversight of the O'Neil Group's accounting and finance staff, tax strategy, and banking relationships. His primary focus is to ensure not only that the enterprise stays financially viable, but also has the ability to capitalize on new opportunities.

Patrick, a licensed CPA with public accounting experience at both large and small firms prior to joining The O'Neil Group, has a strong understanding of tax and financial reporting and analysis. Patrick has a reputation for developing systems, processes, and internal controls for medium to large growing privately held companies.

A Texas native, Patrick earned a B.S. in Accounting from Trinity University, and a Masters in Accountancy from the University of Texas at San Antonio.

*Alex Armani-Munn, Economic Development Manager*

Alex serves as the economic development manager for the O'Neil Group Company. In this position, he assists in the management of OGC real estate development projects and new property acquisitions. Alex specializes in managing entitlements for new projects and the formation of special districts to support new development.

Alex previously worked as the director of economic development for the Downtown Partnership of Colorado Springs. In this position, he managed business attraction and retention programs and served as a resource for developers and investors entering the downtown market.

Alex holds a B.A. in political science from the University of Northern Colorado and an M.A. in political science and public policy from the University of Colorado-Denver.

## **Architect: Tryba Architects**

*David Tryba, FAIA, Lead Design Principal and Founder*

The Founding Principal of our multi-disciplinary studio, David's passion for cities directs the work of Tryba Architects. He is involved in each of the firm's projects and excels at leading talented designers towards solutions that are in the best interest of the client, the community and the project. David's entrepreneurial spirit directs the firm's commitment to the development and transformation of urban neighborhoods, buildings, sites and systems into active, human-scaled and successful places.

*William Moon, AIA, Managing Principal*

Bill's role as Managing Principal is foundational to our practice. He joined Tryba in 1990 and leads the management of the firm overseeing business development, project management, staffing and operations. Bill is deeply engaged in the craft of architecture and works alongside project teams to ensure continuity, consistency and quality across our body of work.

*Jeff Smith, AIA, Principal*

Since joining Tryba in 2006, Jeff has been involved in many of the firm's transformational projects including History Colorado Center, Denver Botanic Gardens and Park Towne Place. Jeff served on the Town of Erie, Colorado's Planning Commission for two years and has become an expert in navigating projects through entitlements in multiple municipalities. For the past 6 years Jeff has managed Tryba's client relationship with a national apartment REIT with holdings across the United States.

*Emmett Harrison, Senior Associate*

Emmett has over 12 years of experience as an Architect and Project Manager leading teams on complex multi-phase projects such as Colorado Center, Denver Rock Drill, Firestone and Robertson Distillery, and a new high-rise multi-family project in Colorado Springs. He is focused on facilitating the design process through clear communication and technical expertise and possesses a comprehensive knowledge of design technology and systems. Emmett excels in project team leadership, consultant coordination and managing projects through complex entitlements.

## **General Contractor: GE Johnson**

*Jim Johnson, President & CEO*

Jim is a third generation builder who has proven, time and again, his effectiveness as a leader and the value he places on being a true community partner at all times. Since assuming the role of President and CEO in 1997, Jim has worked hard to continue his father's legacy, leading the company with an eye for quality construction and a dedication to realizing value on every project. Key to his success at the helm of the company is his background in hands-on management.

## RELEVANT PROJECTS

### **US Olympic and Paralympic Museum**

President / CEO | Colorado Springs, CO | \$62M

65,000 square feet, 11 Exhibits, office space, café, retail, hall of fame

### **Switchbacks Stadium**

President / CEO | Colorado Springs, CO | \$27M

85,000-square-foot playing field, a multi-use meeting/banquet room, 4,000-square-foot restaurant, sports performance and training facilities

### **Pikes Peak Summit Complex**

President / CEO | Colorado Springs, CO | \$56M

Visitor center with multimedia exhibits, restaurant and retail space.

### **The Quincy**

President / CEO | Denver, CO | \$114M

29-story, mixed-use tower with 359 luxury apartment residences, retail and parking structure

### **The Coloradan**

President / CEO | Denver, CO | \$144M

19-story multifamily high-rise near Union Station with ground level retail space and two stories of sub-grade parking

*John McCorkle, Construction Manager*

John has extensive experience optimizing operations and profits through commitment to excellence in management, leadership, team building and relationships. John's strengths show through his results to lead a high-quality end product, built to budget, and within schedule requirements.

## RELEVANT PROJECTS

### **US Olympic and Paralympic Museum**

Construction Executive | Colorado Springs, CO | \$62M

65,000 square feet, 11 Exhibits, office space, café, retail, hall of fame

### **Switchbacks Stadium**

President / CEO | Colorado Springs, CO | \$27M

85,000-square-foot playing field, a multi-use meeting/banquet room, 4,000-square-foot restaurant, sports performance and training facilities

### **26th and Alcott (12 months preconstruction)**

Construction Executive | Denver, CO | \$185M

Multifamily residential development providing 642 new homes and a 100-room apartment-style hotel

### **1800 Larimer – Xcel Energy Headquarters**

Project Manager | Denver, CO | \$102M

22-story, 500,000-square-foot, LEED Platinum office complex that is the new headquarters for Xcel Energy

### **The Ritz-Carlton Denver**

Project Manager | Denver, CO | \$80M

Design-build, 400,00-square-foot hotel, ball rooms and Elways Restaurant

*John Weber, Senior Project Manager*

John Webber serves as a senior project manager. He has 26 year of experience, the majority of which has been in the high-rise residential and office construction environments. John earns the trust of our clients as a repeat project manager because of his attention to detail, experience, and ability to proactively communicate with all project stakeholders. As project manager, John's primary role is to manage the construction budget, administer contracts, ensure the project is on schedule, and support the construction staff and field workers. He is responsible for the administrative functions including buy-out, material acquisitions, design coordination, cost management, reporting, subcontractor negotiations and subcontractor coordination.

## **RELEVANT PROJECTS**

### **The Quincy**

Senior Project Manager | Denver, CO | \$114M

29-story, mixed-use tower with 359 luxury apartment residences, retail and parking structure

### **Ent Credit Union Campus Headquarters**

Senior Project Manager | Colorado Springs, CO | \$118.2M

Five-story, 324,000-square-foot headquarters building and an 830-vehicle parking garage to support the campus

### **Prism Building**

Senior Project Manager | Denver, CO | \$25.2M

Nine-story, 107,074-square-foot, core and shell office tower featuring a one-of-a-kind glass crinkle wall along the south elevation

### **Town Hill Lofts**

Senior Project Manager | Jackson, WY | \$28.4M

42,571 square feet of condominium units and 3,672 square feet of commercial space

*Ben Schlick, Senior Superintendent*

Ben brings excellent communication and coordination expertise with the field staff, subcontractors, design team, and facilities staff members. Ben will be responsible for all site operations including self-performed work, site logistics, subcontractor administration, safety, project scheduling, and coordination. He will be on-site every day orchestrating the field construction process.

**Ent Credit Union Campus Headquarters**

Colorado Springs, CO | \$120.7M

Five-story, 324,000 SF headquarters building and an 830-vehicle parking garage to support the campus

**Walnut Condominiums**

Boulder, CO | \$21.8M

34 luxury condo units with heated underground parking

**UCHealth Memorial Hospital North Expansion & Renovation Project**

Colorado Springs, CO | \$97.7M

Four story tower connecting to Cancer Center

**Colorado Christian University - Yetter Hall**

Lakewood, CO | \$20.7M

53 apartment-style units containing 300 beds, a lobby, lounge areas and study nooks

**Cheyenne Mountain High School - 2015 Expansion and Renovation**

Colorado Springs, CO | \$44.6M

36,000 SF of new high school expansion

**Porter Adventist Hospital Expansion and Renovation**

Denver, CO | \$70.4M

625-space parking garage, new ICU/CCU wing, new surgical wing, new orthopedic wing, new main entrance and lobby, 4th & 5th floor remodel of the patient tower

**New Falcon High School**

Falcon, CO | \$32.9M

16,000 SF addition consisting of a precast/steel structure with some metal panel cladding

**Subcontractors & Consultants**

*ME Engineers*-Mechanical, Electrical & Plumbing

*Martin & Martin*-Civil & Structural Engineering

*Greystar*-Predevelopment Consultation & Property Management

*NES*-Landscape Architecture & Entitlements

*Paul Benedetti*-URA Counsel

*Felsburg, Holt & Ullevig*-Traffic Impact Analysis



**Developer's role**

The developer will own both properties following completion with the intent of holding for at least 10 years in order to maximize opportunity zone investment benefits. The developer will contract with Greystar Real Estate Partners to manage the residential component of the project and will manage the office property in house. The developer will collect a fee of \$5,900,000 paid from the ownership entity to the O'Neil Group Company.

## Pro-Forma and Financial Capability Narrative

<b>Revenue Assumptions for Model</b>	
Residential Growth	4.00%
Commercial Growth	2.50%
Residential Exp. Growth	1.50%
Commercial Exp Growth	1.50%
Resi. Vacancy (Stabilized)	5.00%
Com. Vacancy (Stabilized)	11.00%
Blended Residential Rent	\$ 2.86
Commercial Base Rent	\$ 27.92
Preferred Return	8.00%
Investor Distribution %	8.00%
Tenant Improvements (100\$/ft)	\$ 12,209,798
Amortized TI Income(10 Years)	\$ 7,937,158
TI Amortized Interest Rate	5.00%
Residential Opex \$/Foot	\$ 11.57
Commercial Opex \$/Foot	\$ 12.80
Capped Developer Fee	\$ 5,900,000
Residential Construction Start	7/1/2022
Residential Construction Time	25 Mos
Commercial Construction Start	5/1/2022
Commercial Construction Time	18 Mos

<b>Revenue Assumptions for Model</b>	
Residential Growth	4.00%
Commercial Growth	2.50%
Residential Exp. Growth	1.50%
Commercial Exp Growth	1.50%
Resi. Vacancy (Stabilized)	5.00%
Com. Vacancy (Stabilized)	11.00%
Blended Residential Rent	\$ 2.86
Commercial Base Rent	\$ 27.92
Preferred Return	8.00%
Investor Distribution %	8.00%
Tenant Improvements (100\$/ft)	\$ 12,209,798
Amortized TI Income(10 Years)	\$ 7,937,158
TI Amortized Interest Rate	5.00%
Residential Opex \$/Foot	\$ 11.57
Commercial Opex \$/Foot	\$ 12.80
Capped Developer Fee	\$ 5,900,000
Residential Construction Start	7/1/2022
Residential Construction Time	25 Mos
Commercial Construction Start	5/1/2022
Commercial Construction Time	18 Mos

<b>Debt Assumptions for Model</b>	
Construction Interest Rate	3.50%
Construction Loan Fee's	1.25%
Permanent Financing Interest Rate	3.00%
Amortization Period	360
I/O Period After Construction	2 Years
Leverage Used	65%
Debt Yield at Stable	6.73%
LTV @ Refi	75.00%
Loan Fee Timing	At Closing
<b>Public Financing</b>	
TIF-Reimbursement URA	\$ 15,309,680

<b>Return Metrics</b>	
IRR	8.30%
IRR w/ Tax Benefit	10.54%
Total Return to LP	\$ 114,450,000
Estimated Tax Benefits	\$ 31,820,000
Total Management Carry	\$ 2,440,940

<b>Debt Assumptions for Model</b>	
Construction Interest Rate	3.50%
Construction Loan Fee's	1.25%
Permanent Financing Interest Rate	3.00%
Amortization Period	360
I/O Period After Construction	2 Years
Leverage Used	65%
Debt Yield at Stable	6.73%
LTV @ Refi	75.00%
Loan Fee Timing	At Closing
<b>Public Financing</b>	
TIF-Reimbursement URA	\$ -

<b>Return Metrics</b>	
IRR	6.18%
IRR w/ Tax Benefit	8.25%
Total Return to LP	\$ 97,370,000
Estimated Tax Benefits	\$ 29,340,000
Total Management Carry	\$ -

## **Financial Capability Summary**

The O'Neil Group Company and ONE Family of Funds specializes in creating jobs and the infrastructure to sustain them. OGC has built a diverse portfolio of business and real estate investments that have generated more than a thousand jobs and over a half billion dollars in economic impact for downtown Colorado Springs. As the owner and principal of the O'Neil Group Company, Kevin O'Neil has a history of business success, highlighted by Braxton Science and Technology Group, LLC and the Catalyst Campus. He expects to continue that success with ONE Place, having contributed north of \$20M into the deal. Alongside Kevin's contributions, ONE Place has raised over \$34M from its first equity raise.

## Eligible Public Improvements

<b>Improvement</b>	<b>Cost</b>
Parking	\$ 12,594,061
Demolition	\$ 154,688
Façade	\$ 22,740,975
Elevators	\$ 3,500,000
Sprinklers & life safety elements	\$ 4,091,344
Utility relocation and resizing	\$ -
Acquisition	\$ -
<b>Total</b>	<b>\$ 43,081,068</b>

This is a preliminary listing of potential public improvements that is subject to change as predevelopment planning and design progresses. The developer will seek input from the URA on board on the eligibility of improvements listed above as well as suggestions on additional eligible public improvement costs not included in this list.

Conceptual Designs & Site Plan



Residential Building at Costilla & Sahwatch



Office Building at Vermijo & Cascade



SAWATCH ST

S CASCADE AVE

COSTILLA ST



EL PASO COUNTY, COLORADO  
Office of the County Assessor  
Steve Schleiker



October 11, 2021

Alexander Armani-Munn  
Economic Development Manager  
The O'Neil Group  
455 E. Pikes Peak Ave, Ste 102  
Colorado Springs, CO 80903

Mr. Armani-Munn,

Per your request, the El Paso County Assessor's Office has estimated a market value, based upon a hypothetical condition. This would be for an apartment/retail complex proposed to be constructed on Assessor parcel numbers 64183-12-004,005, 006, 007 aka 14-30 W. Costilla St. This estimate is as if the project existed at 100% complete as of January 1, 2021.

The nature of this assignment is atypical of the work performed by the Assessor and the necessary scope of work has been restricted due to time constraints and limited availability of data.

The purpose of this estimate is for ad valorem property taxation only. In the State of Colorado, property valuations for this purpose are always retroactive and are currently at a June 30, 2020 "level of value" for the 2021 and 2022 assessment years.

The proposed project would be considered mixed use (apartments/retail). The plan indicates a 25 story residential tower with retail on the first level along with a five level parking podium. A gross building area of 495,216 square feet is inclusive of 13,058 square feet of retail area and 164,360 square foot parking podium. The retail area would be assessed at the commercial assessment rate of 29%.

The project indicates this will have a total of 317 residential dwelling units with a unit mix of: 70 studio, 156 one-bedroom, 83 two-bedroom and 8 three-bedroom units. Amenities are to include a leasing office, storage areas, fitness areas, pool, patios and decks.

The cost and income valuation methods were considered, however, the market approach is statutorily required for the valuation of residential properties, by Colorado State Statutes § [39-1-103 (5) (a) and (8) (a)] and The Constitution of The State of Colorado Article X, Section 20, Subsection (8)(c). Multi-family & Assisted Living properties are included in the residential classification.

On June 1st, 2000, House Bill 00-1268 was signed by the Governor. The bill was titled: Concerning the Assessment of Property for Property Tax Purposes. This bill, in part, amended Section 2 of §39-1-103 (5) (a) C.R.S. "Actual value determined – when". The following sentence was added. A gross rent multiplier may be considered as a unit of comparison within the market approach to appraisal.

The current residential assessment rate is 7.15% of market value and 29% for all other use types. The multi-family assessment rate is proposed to be lowered to 6.80% or 6.5% for assessment years 2022 and 2023.

This estimate is based upon sales which have occurred between July 1, 2018 through June 30, 2020 and is supported from consideration of a gross rent multiplier as a unit of comparison.

The estimate does not include any estimate for the demolition of existing improvements or any personal property which may be considered as taxable property.

**The Assessor estimates the total market value to be in the \$95,000,000 to \$125,000,000 range.** This amount could fluctuate based upon any change from construction documents vs. development plans as provided.

If you have any questions or comments, please contact me directly.

Sincerely,

Bob Harper  
Commercial Property Manager  
El Paso County Assessor's Office  
(719) 520-6626

**WE VALUE EL PASO COUNTY AND ITS RESIDENTS!**

1675 West Garden of the Gods Road, Suite 2300, Colorado Springs, CO 80907

Phone: (719) 520-6600 Fax: (719) 520-6635

Internet: asr.elpasoco.com E-mail: ASRWEB@elpasoco.com Twitter: @EPC\_Assessor



## ASSUMPTIONS AND LIMITING CONDITIONS

**This estimate is subject to the following underlying assumptions, qualifications, and limiting conditions:**

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. This appraisal encompasses only the property legally described herein. The areas and dimensions shown herein are assumed complete and accurate for purposes of this report, unless otherwise indicated.
2. For purposes of this report, the appraiser expressly assumes that the title to the property is marketable. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though it is free and clear. The appraiser did not review a survey or a title policy to ascertain if any significant easements or encumbrances negatively impact the future development potential or existing utility of the subject site. The appraiser is not a qualified title attorney and expresses no opinion as to the sufficiency or merchantability of title. The appraiser assumes no responsibility for matters involving legal or title considerations.
3. The Property Valuation assumes: (a) responsible ownership and competent management of the property; (b) there are no hidden or unapparent conditions of the property, subsoil, or structures that render the property more or less valuable; (c) full compliance with all applicable federal, state, and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Property Valuation; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use of which the value estimate contained in the Property Valuation is based.
4. Any sketches, engineering illustrations or photographs in the report are included to assist the reader in visualizing the property. No survey was provided for review.
5. The Land Manager for the El Paso County Assessor's Office supplied the land data needed for the Cost approach. The information furnished by others is believed to be reliable. However, no warranty is given to its accuracy.
6. It is assumed that there are no hidden or latent conditions of the property, subsoil, or structures that render it valuable. No responsibility is assumed for such conditions or for arranging for engineering studies, which may be required to discover such factors. Please consult an environmental specialist if such conditions are thought to exist.
7. The building area calculations discussed herein are based upon gross square footage as supplied in the Development Plan.
8. This estimate was prepared for the intended use of ad valorem taxation. By reason of the intended use and scope of the report herein set forth, the value reported is only applicable to the property rights appraised.
9. The removal or loss of any portion of this report invalidates the entire report. Written permission is required by the appraiser(s) for copy or distribution of this body of work. Except as herein provided, the client for whom this estimate was prepared may distribute copies of this report, in its entirety, to third parties as selected by the client. However, selected portions of this appraisal report shall not be dissected and presented independently in any format, without the expressed permission of the author(s). The appraiser(s) will not be held liable for any damages arising from the unauthorized use of this report by outside parties for any other purpose than that which the appraisal was written. Further, neither all nor any part of this estimate shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent report's signatories.
10. By reason of this report, it is understood that the author(s) is not required to give testimony in a court of law or hearing as expert witnesses on behalf of the El Paso County Assessor's Office with reference to the property in question unless arrangements have been previously made.
11. The intended use of this estimate is for ad valorem taxation suggesting aspects of the appraisal may be restricted from certain standard appraisal procedures, due to State Law requiring specific procedures and by limitations from mass appraisal procedures. When State Law and Uniform Standards of Professional Appraisal Practice requirements differ, the appraiser will make note of this conflict and explain the appropriate course of action.
12. It is assumed that the project will be in full compliance regarding building construction and property use with all applicable Federal, State, and Local Governmental regulations and laws unless noncompliance is stated, defined and considered in the report. It is further assumed that the utilization of the land and improvements is within boundaries or property lines of the property described in that there is no encroachment or trespass unless noted in this report.
13. The values reported are based upon the condition of the national and local economy purchasing power of the dollar, financing rates, lease rates, discount rates and other criteria as of the date of the value estimate when pertaining to the appropriate value method.

14. It is assumed that the site or improvements do not have: structure(s) built over a landfill; the presence of friable asbestos or substantial amounts of non-friable asbestos that cannot be safely encapsulated or removed; urea-formaldehyde foam; ground water or soil contamination; the presence of high-risk neighbors with evidence of contaminated spills; polychlorinated biphenyl contamination; high radon levels' or material violations of applicable Local, State, or Federal environmental or public health laws. If any such conditions are thought to exist, please consult an environmental specialist and contact the author(s) of this report for disclosure purposes. The appraiser does not have expertise in identifying hazardous materials. The appraiser reserves the right to revise or amend valuations, opinions, and conclusions of the report if subsequent, significant information becomes known.
15. The Americans with Disabilities Act, promulgated by the United States Congress on February 20, 1992, requires certain structural requirements to meet the needs of the disabled. The appraiser does not have the expertise to determine whether the subject does, or does not, meet the act's requirements. Knowledgeable persons should be employed to make this determination. This appraisal was completed without regard to the requirements of this Act. Should it be shown that additional cost would be required to bring the subject into compliance, these costs may or may not be a deduction from the value conclusion, depending on the scope of the work to be performed and the economic impact on the property owners.
16. Exclusion of one or more of the traditional approaches to value in the Property Valuation may reflect a departure from the Uniform Standards of Professional Appraisal Practice. Such a departure may be required pursuant to the provisions of Title 39 of the Colorado Revised Statutes.

## CERTIFICATE OF APPRAISAL

- ✓ The statements of fact contained in this report are true and correct and the appraiser has not knowingly withheld any significant information. Information furnished to me by others is believed to be accurate and has been accepted at face value, but no responsibility is assumed.
- ✓ The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my unbiased professional analyses, opinions and conclusions.
- ✓ Neither the El Paso County Assessor's Office nor I have any present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties with respect to the parties involved.
- ✓ My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- ✓ My opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, except where jurisdictional exception applies.
- ✓ I have not made a personal inspection of the property that is the subject of this report.
- ✓ The appraiser is attesting to the records of the El Paso County Assessor's Office, which may have been compiled from physical inspections and research done by other appraisers within the Assessor's Office.
- ✓ The staff of the El Paso County Assessor's Office, both current and past employees, have provided significant assistance to the person signing this report. Known significant assistance for this estimate was provided by Steve Schleiker – Assessor, Rick Davis – Land Manager, Steve Fischer – GIS Analyst/CAMA Reappraisal Supervisor.



Robert L. Harper  
Certified General Appraiser  
License # CG001322584  
Expires: December 31, 2021

## 2019 Economic Impact Analysis, Catalyst Campus

### Why Conduct an Economic Impact Analysis?

There are many reasons why an economic impact analysis can be helpful to a given business, business cluster or industry. The results can be used to validate the initial investment dollars used to build out a project. Likewise, the results can be used to validate an expansion of current operations. The results can be used to entice new investors. The results can be shared with economic development agencies like chambers of commerce or downtown development authorities to attract other businesses from within or from outside the region by showing the "value" of a business or business cluster and/or the ecosystem it provides. The tax results, in particular, can be showcased to local or state government to demonstrate the tax revenue benefit of having that business or business cluster within its jurisdiction.

### What Are the Components of an Economic Impact?

In the simplest terms, an economic impact analysis has three components. The "direct" effect measures the direct impact of a given activity. In this case, we are measuring the impact of constructing two high-rise buildings over the course of two and a half years (2022-2024) as well as the impact of seven operational years (2024 to 2030). The "indirect" effect measures the business-to-business activity generated from the construction and from the operational years. For example, the construction company will purchase materials from vendors both local and nonlocal. Likewise, the operation of both buildings will require the purchase of both goods and services from other businesses in the broader community primarily related to property management and maintenance. The "induced" effect measures the impact of all of these employees being active consumers and taxpayers in the community.

All three impacts have specific categories that correspond to jobs, the associated labor income, the "value add" or net contribution to the local economy, and the total income, which measures the gross contribution to the local economy. For the purposes of measuring the total dollar impact in the community, it is most accurate to use the "value add" impact because that subtracts the cost of intermediate goods such that there is no double counting. In other words, the value add subtracts out the amount a producer has to spend in order to conduct business.

For this economic analysis, the impact was measured for El Paso County, Colorado.

### Results

Most of the project's impact will emanate from the construction of the residential and commercial buildings. The first table of results will show the total impact for both the construction years and the initial seven years that the buildings will be operational. The subsequent tables show the distinct impacts of the construction only (Table 2) and the seven operational years only (Table 3).

### *Total Impact Results Including Construction and Operational Years*

As Table 1 on the following page shows, the total number of jobs generated by this project including the direct, indirect (or "B to B") and induced components comes to 3,760 jobs. The associated labor income is \$205.7 million. The net contribution, or "value added" to the local economy is \$328.4 million, and the total output is \$491.1 million. These values are for the aggregate impacts of both the construction and operational years spanning from 2022 to 2030.

# The Economic Impact of O'Neil Towers

**Table 1. Total Impact of O'Neil Group Towers (Residential & Commercial)  
Construction and Seven Operational Years (2022-2030)**

Type of Impact	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	2,653	\$154,781,569	\$234,263,939	\$321,707,949
Indirect Effect	332	\$17,004,548	\$28,059,307	\$55,686,332
Induced Effect	774	\$33,870,743	\$66,044,370	\$113,701,155
<b>TOTAL IMPACT</b>	<b>3,760</b>	<b>\$205,656,861</b>	<b>\$328,367,615</b>	<b>\$491,095,436</b>

## *Economic Impact of Construction Only*

Table 2 shows the economic impact of constructing both the residential and commercial high-rise buildings from 2022 to 2024. As aforementioned, this construction constitutes most of the economic impact in the community as it has sizable employment and purchasing relative to the operational aspects of the project in subsequent years.

**Table 2. Economic Impact of Construction of O'Neil Group Towers**

Type of Impact	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	2,314	\$146,881,162	\$160,423,353	\$222,919,429
Indirect Effect	195	\$10,286,410	\$16,890,974	\$31,710,495
Induced Effect	708	\$30,952,866	\$60,354,532	\$103,905,908
<b>TOTAL IMPACT</b>	<b>3,216</b>	<b>\$188,120,439</b>	<b>\$237,668,858</b>	<b>\$358,535,832</b>

## *Economic Impact of Seven Operational Years*

Table 3 shows the economic impact of the operation of both the residential and commercial buildings from 2024 to 2030. The operation of both buildings does not require as many employees nor does it require large purchases as does the significant new construction activity outlined above. Nonetheless, there are associated jobs, labor income, value add and output as shown below.

**Table 3. Economic Impact of Seven Operational Years**

Type of Impact	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	340	\$7,900,407	\$73,840,587	\$98,788,518
Indirect Effect	137	\$6,718,138	\$11,168,333	\$23,975,837
Induced Effect	67	\$2,917,877	\$5,689,837	\$9,795,247
<b>TOTAL IMPACT</b>	<b>543</b>	<b>\$17,536,422</b>	<b>\$90,698,757</b>	<b>\$132,559,604</b>

## *Workers and salaries*

According to the major investor, The O'Neil Group, which will be managing the commercial building, and the property management group they will be using for the residential building (Greystar), approximately three out of every seven employees will be "tradesmen" maintaining the building. The average salary for a building maintenance worker in Colorado as of September 2021 is \$19.34 per hour or \$40,227 per year. The remaining employees, property management workers, make \$26.76 per hour or \$55,668 annually.

# The Economic Impact of O'Neil Towers

By way of reference, the livable wage for El Paso County for an individual is \$30,742, and for a household with two working adults and two children, the living wage for each worker is \$45,781 according to the MIT Living Wage Calculator.

The office tower will have 151,815 rentable square feet. If we assume 150 square feet per employee, that will translate to 1,012 office workers in the new commercial tower. This is truly filling a need due to the tremendous growth that the Colorado Springs area is experiencing especially in office-based jobs (e.g. finance/insurance and professional and technical sectors). These two sectors alone increased by 6,871 jobs from 2017 through the present (2021, Q1) according to the Bureau of Labor Statistics.

## Population Growth and Need for Office and Residential Space

Likewise, both Colorado and Colorado Springs are projected to have double the population growth rate as compared to the nation. El Paso County (the major county comprising the Colorado Springs MSA) is projected to grow from 722,483 residents to almost 1.1 million residents by 2050 with a higher population than Denver County as of this year. Table 5 shows the population projections for both El Paso County and the state of Colorado.

	2019	2050
El Paso County	722,493	1,056,771
Colorado	5,763,976	7,929,112

Indicative of the growth is the much lower vacancy rates in the Central Business District of the city of Colorado Springs as compared to the nation. In the U.S., office vacancy rates are currently at 18.5% (2021 Q2) according to Moody's Analytics. However, in the Central Business District of Colorado Springs, across all class types office vacancy rates are at 6.7% (CoStar). Class A type, in particular, is in high demand. The commercial tower of this project would help fill this expansionary need and having more office product could also assist with attraction of new businesses from outside the region. Likewise, apartment vacancies stand at 4.0% and the region is considered to have a "tight" multi-family market according to HUD.

## Tax Impacts and Conclusion

Virtually all economic activities are taxed and those tax dollars are also a benefit to the region, the state, and the federal government. The "direct" tax dollars measure the actual dollars paid to the to the government. The "indirect" tax dollars measure the taxes paid by the businesses that do business with both the construction company during the construction years, and the property management entities of the fully operational buildings from 2024 to 2030. The "indirect" tax dollars measure the taxes paid by the employees associated with this project.

Because the tax dollars are highly beneficial to the economy at large, local and state governments sometimes give tax incentives to these projects in order to incentivize the initial investment. Table 6 summarizes the tax impacts. Note that the "subcounty" categories incorporate city taxes. The data below rolls together the tax impacts of the construction and operational years.

In sum, The O'Neil Group Towers would not only generate significant economic impact, the project would also fill an acute need for both residential and commercial quality product in this region that is experiencing unprecedented and dynamic economic growth.

Impact	Sub County General	Sub County Districts	County	State	Federal	Total
Direct	\$1,659,987	\$2,321,242	\$610,406	\$7,193,322	\$32,540,973	\$44,325,930
Indirect	\$509,220	\$704,067	\$186,170	\$1,384,653	\$3,677,158	\$6,461,269
Induced	\$1,323,504	\$1,827,128	\$483,494	\$3,368,224	\$7,678,109	\$14,680,458
<b>TOTAL</b>	<b>\$3,492,712</b>	<b>\$4,852,436</b>	<b>\$1,280,070</b>	<b>\$11,946,199</b>	<b>\$43,896,240</b>	<b>\$65,467,658</b>

