



**Economic & Planning  
Systems, Inc.**

*The Economics of Land Use*

April 22, 2021

Mr. Jariah Walker, Executive Director  
Colorado Springs Urban Renewal Authority  
30 South Nevada Avenue  
Suite 604  
Colorado Springs CO 80903  
[jwalker@springsgov.com](mailto:jwalker@springsgov.com)

**Subject: URA Plan Area Modification and Formation: Switchback  
Stadium and Citygate District; EPS #213039**

Dear Mr. Walker:

Thank you for asking Economic & Planning Systems (EPS) for a proposal to provide the technical analysis and studies to enable Colorado Springs to modify the existing Citygate URA Plan Area and expand the URA district to support the construction and debt service related to civic amenities in the area, specifically the Switchback Stadium. EPS has worked extensively with Urban Renewal Authorities throughout the western United States, including a large number of authorities across the Front Range of Colorado. We understand the technical elements of URA regulations, including the implications of forming URA districts in Colorado following the adoption of HB 1348. We also understand the larger goals of URAs and how the tools provided by URAs can provide developers and communities with better solutions.

EPS is a full service urban economics consulting firm with 46 employees in its Denver, Oakland, Sacramento and Los Angeles offices. The firm is experienced in a range of services related to real estate development including market analysis, financial feasibility assessment, and public financing options, including all aspects of Urban Renewal Authority participation. Because the firm maintains a keen awareness of client needs along with community interests, it can deliver robust analytics tailored to specific issues.

Included in this proposal is a our project understanding, scope of work, and proposed project budget. If you have comments or suggestions, we can discuss with you and incorporate as needed. We understand that you would like to move quickly, and we are prepared to begin following your review and approval of the contract. We anticipate that we can complete the work in 6 to 10 weeks.

We look forward to working with you.

Sincerely,

ECONOMIC & PLANNING SYSTEMS, INC.

A handwritten signature in blue ink that reads "Andrew Knudtsen". The signature is fluid and cursive, with a prominent "A" and "K".

Andrew Knudtsen  
Managing Principal

EPS Denver

730 17th Street, Suite 630  
Denver, CO 80202  
303.623.3557

Oakland  
Sacramento  
Los Angeles

[epsys.com](http://epsys.com)

# Proposal

## Project Understanding

The City of Colorado Springs has expressed interest in a modification to the existing Citygate URA Plan Area. The goal is to reduce the size of the current Citygate boundaries and allow the balance to continue to function until it sunsets, in approximately eight years.

At the same time that the Citygate Plan Area is modified, the City is interested in forming a new URA Plan Area that captures a somewhat larger geography that would include the Switchback Stadium and surrounding residential and commercial development. The new Plan Area requires approvals by all taxing authorities, in conformance with the stipulations of HB 1348. The anticipated planning horizon would extend for 25 years from the date of Plan Area approval.

Economic & Planning Systems has been requested to provide a proposal for five services. These include:

1. Estimates of future TIF proceeds, based on boundary location, development capacity, market absorption, and valuation.
2. A conditions analysis to determine that the areas for potential formation of the new district are eligible for URA district designation with the corresponding potential for Tax Increment Financing (TIF) revenues.
3. An evaluation of the financial feasibility of projects within the new URA plan area that includes a “But For” analysis of the proposed projects to confirm that they cannot proceed, ‘but for’ the investment of public funds.
4. An Urban Renewal Plan, which encapsulates the findings of the first two tasks, summarizes the aspects of the proposed development, and delineates the material in a document that can be used by the CSURA to approve the new URA plan area.
5. An El Paso County Impact Report, required as part of any URA approval.

## Project Approach

While many of the elements of this work program are found in most URA project approvals, the order of tasks may vary from the standard sequence. The initial task is recommended to be a sizing of the geography to be designated for the new URA. This initial evaluation will help the CSURA understand its options as it balances a variety of considerations. EPS anticipates providing estimates of total valuation and supportable bond proceeds from the corresponding TIF to help understand the optimal approach for the URA to take. This task will be completed in light of the balance of the work program, including a conditions analysis, a 'But For' financial evaluation, and the follow up documents including the Urban Renewal Plan and the County Impact Report.

The conditions analysis will be done in conformance with the standards listed by the State. Four out of 11 factors of blight must be present within the study area, including:

1. Slum, deteriorated, or deteriorating structures
2. Defective or inadequate street layout
3. Faulty lot layout – size, adequacy, accessibility, usefulness
4. Unsanitary or unsafe conditions
5. Deterioration of improvements
6. Unusual topography or inadequate public improvements or utilities
7. Title problems rendering title unmarketable
8. Conditions that create fire hazard
9. Buildings unsafe because of code violations
10. Environmental contamination
11. Health, safety, or welfare factors requiring high levels of municipal services, or substantial underutilization or vacancy of buildings or property

Following the Conditions Study, EPS will address the potential developer returns for projects in the area and provide the basis for the “but-for” test and the eventual investment of tax increment financing (TIF). EPS will provide recommendations relating to the total amount of TIF and term of the sharing agreement necessary for the projects to achieve feasibility.

The fourth step involves aggregating the findings from the previous tasks and forming an official URA plan that can be adopted in compliance with State regulations. The fifth and final step is to provide an impact report, documenting the impacts attributed to the new Plan Area on El Paso County and other taxing districts.

## Scope of Work

The following Scope of Work provides an outline of the tasks and corresponding budget necessary to complete the Conditions Study, the Financial Evaluation of the project, and develop a plan that the URA can adopt for the area. Please treat this proposal as an initial draft that can be revised to best meet the needs of the Colorado Springs Urban Renewal Authority.

### Task 1: Plan Area Sizing and TIF Revenue Estimates

For this task, EPS will work with the CSURA staff to define potential boundaries of the future Plan Area. It is likely that the staff and EPS will generate concepts for up to three different areas and from these, EPS will provide development scenarios, market capture evaluations, and projections of TIF revenues. Due to the nature of this task, EPS will work closely with CSURA staff and board members to clarify alternatives and identify the pro's and con's associated with different options. EPS will also provide an overview of the Conditions Study, to ensure that the potential boundary and proposed Plan Area will fulfill requirements related to state standards.

### Task 2: Conditions Study

#### *Subtask 2.1: City Outreach and Definitions*

To begin this Conditions Study, EPS will contact City of Colorado Springs staff to confirm the process and requirements of the conditions study. We will also request copies of any previous blight studies that have been completed in the City to gain a better understanding of the format that City staff and the URA board are accustomed to.

EPS will also prepare a site boundary and aerial photo map of the subject property and surrounding area.

#### *Task 2.2: Field Survey*

EPS staff will visit the subject property to identify and record photographically potential factors of blight. The Developer may wish to accompany EPS at the start of the site visit to point out any particular blight factors of note or concern.

EPS will conduct a detailed walking and photographic tour of the property, taking notes and documenting photograph locations manually on maps and with GPS enabled smartphones. Total building square footage will be documented from assessor records, and vacant space will be estimated from the current tenant inventory. The site visit and blight identification process is outlined below:

- Document vacancy/occupancy history from property owner interviews or other available information;
- Interview City public safety staff to identify any increased service costs or frequency (fire, police, EMS) and unsafe conditions;

- Evaluate street access;
- Identify and evaluate deterioration and deferred maintenance to building and site improvements;
- Summarize any existing studies or documentation on environmental contamination; identify potential for contamination based on historic tenants (e.g. dry cleaners). This does not include performing an environmental site assessment or purchasing reports or data on potential contamination history; and
- Perform a less detailed scan of neighboring properties to potentially recommend for inclusion in a larger blighted area, which could help support a larger redevelopment project over the long term.

### ***Task 2.3: Draft Conditions Findings***

EPS will compile the field research into draft maps/illustrations and a matrix identifying draft blight findings. We will review these with the Developer and determine if we have sufficient evidence of blight to proceed with writing a report.

### ***Task 2.4: Draft and Final Report***

EPS will finalize the conditions findings and produce a concise (20-30 page estimated) report illustrating and explaining the findings of blight. EPS can also include, if requested, recommendations on including adjacent properties, and potential formation of a new URA plan area under the CSURA.

Any presentations or meetings to present or discuss findings with the City will be billed on a time and direct expenses basis and are not included in this Scope of Work.

## **Task 3: Financial Evaluation**

### ***Task 3.1: Financial Evaluation Initiation***

EPS will meet with staff and the development team to discuss the basic framework of the analysis related to the financial evaluation of the project. The purpose of this meeting will be to outline key issues, project details, project performance, and the project's need for TIF.

### ***Task 3.2: "But-for" Analysis***

In order to complete an evaluation of the project, the Developer will need to provide an up-to-date development program, detailed estimates of construction costs, anticipated rental rates, and other pertinent information necessary to complete an evaluation of the performance of the project with and without TIF. EPS will use this information to develop a baseline feasibility model that will provide the basis for beginning to define a project gap and a reasonable level of public investment. In other words, this analysis will answer the question: "but-for" the investment of public revenues, will the project be able to move forward?

This task includes an evaluation of the performance of the project under alternative scenarios and EPS will evaluate project feasibility with and without TIF revenues. At a minimum, EPS will run two versions of the model that will include the following:

- **Baseline Scenario** – The Baseline Scenario will reflect assumptions and estimates provided by the Developer. These will be used to ensure that there are not technical model inaccuracies in the Developer’s request for TIF. This model will also be used to determine a baseline from which to test alternative assumptions.
- **Alternative Scenario(s)** – Based on EPS’ review of the project assumptions and Developer’s pro forma, along with discussions with staff, EPS may develop one to two alternative scenarios that reflect any potential revisions to key model inputs. The results of this model will be used to estimate potential project funding gaps and determine project sensitivities to various model inputs, lease rates, vacancy rates, operating costs, and other key variables. This analysis will help the URA determine if the level of TIF is appropriate or if there are excess returns generated by any portion of the project, potentially justifying a lower amount of public investment through TIF.

### ***Task 3.3: Summary Model***

The analysis outlined in this scope of work will be detailed in a comprehensive financial model that will include a summary of key project components, TIF revenue estimates, project feasibility with and without TIF revenues, and a range of sensitivity analyses.

### ***Task 3.4: Meetings and Presentation***

EPS anticipates attending a URA meeting (either in person or virtually) to present the analysis outlined in this scope of work and any recommendations to be considered in the term sheet. This presentation will provide the URA with an overview of the methodology used to estimate the need for public financing, a summary of the initial assumptions used by the developer, any changes that are recommended by EPS, and the final estimated public financing that the project requires in order to move forward. Any additional meetings and presentations will be billed as an additional cost item.

## **Task 4: Urban Renewal Plan**

EPS will develop an Urban Renewal Plan (Plan) that is pursuant to the provisions of the Urban Renewal Law, Colo. Rev. Stat. § 31-25-101 et seq. (Urban Renewal Law). The driving interest in the establishment of the Plan is to enable the use of tax increment financing (TIF) as a tool to stimulate and leverage both public and private sector development, including redevelopment, to help remedy adverse conditions and prevent the spread of further deterioration. The plan will include the following key sections:

1. Introduction
2. Definitions
3. Plan Purpose, Goals, and Conformance
4. Blight Conditions
5. Relationship to Comprehensive Plan
6. Authorize Urban Renewal Powers
7. Project Financing
8. Severability and Reasonable Variations

### Task 5: El Paso County Impact Report

The impact report will include a summary of forecasted property tax revenues as well as El Paso County fiscal and service impacts associated with development in accordance with the Urban Renewal Plan. It specifically responds to the requirements outlined in C.R.S. 31-25-107 (3.5). These standards state that:

(3.5) “Prior to the approval of an urban renewal plan, the governing body shall submit such plan to the board of county commissioners, which shall include, at a minimum, the following information concerning the impact of such plan:

- I. The estimated duration of time to complete the urban renewal project;
- II. The estimated annual property tax increment to be generated by the urban renewal project and the portion of such property tax increment to be allocated during this period to fund the urban renewal project;
- III. An estimate of the impact of the urban renewal project on county revenues and on the cost and extent of additional county infrastructure and services required to serve development within the proposed urban renewal area, and the benefit of improvements within the urban renewal area to existing county infrastructure;
- IV. A statement setting forth the method under which the authority or the municipality will finance, or that agreements are in place to finance, any additional county infrastructure and services required to serve development in the urban renewal area for the period in which all or any portion of the property taxes described in subparagraph (ii) of paragraph (a) of subsection (9) of this section and levied by a county are paid to the authority; and
- V. Any other estimated impacts of the urban renewal project on county services or revenues.”

## Budget and Agreement

*Jariah – can we discuss this Project Understanding and Scope of Work to confirm that what I've written is consistent with your expectations? We may not need to scope the But For tasks. It may depend on the timing of development in the new Plan Area. I believe a quick call can give us clarity and we can go from there.*