

COLORADO SPRINGS URBAN RENEWAL AUTHORITY

TIF Request Review: Almagre



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The Economics of Land Use

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EPS

REAL ESTATE ECONOMICS

PUBLIC FINANCE

LAND USE & TRANSPORTATION

ECONOMIC DEVELOPMENT & REVITALIZATION

FISCAL & ECONOMIC IMPACT ANALYSIS

HOUSING POLICY

PUBLIC PRIVATE PARTNERSHIPS (P3)

PARKS & OPEN SPACE ECONOMICS



URBAN RENEWAL PROJECT EXPERIENCE

CURRENT AND PAST CLIENTS



PRESENTATION OVERVIEW

KEY COMPONENTS

- Project Overview
- Sources and Uses
- “But for” Analysis
- TIF Revenue Estimates
- Next Steps



PROJECT OVERVIEW

DEVELOPMENT PROGRAM

- 137 unit affordable housing development
- 3-story building with a combination of surface and structured parking
- Average of 60% AMI (potential mix of 30%, 50%, 60%, and 70% AMI units)
- Funded through the use of 4% LIHTC, El Paso County funds, and Division of Housing funds



PROJECT OVERVIEW

DETAILED PROGRAM SUMMARY

- Rents ranging from \$460/unit to \$1,485/unit
- Average rental rates of \$1,006/unit or \$1.13/sf
- Average unit size of 888 sf

Description	Program			Rentable Bldg Area		Rent			
	AMI	Units	% of Total	per Unit	Total	per Unit	per SF	per Mo.	per Yr.
1 Bedroom	59.1%	64	46.7%	750	48,000	\$904	\$1.20	\$57,834	\$694,008
1 Bedroom	30.0%	2	1.5%	750	1,500	\$459	\$0.61	\$918	\$11,016
1 Bedroom	50.0%	31	22.6%	750	23,250	\$765	\$1.02	\$23,715	\$284,580
1 Bedroom	60.0%	0	0.0%	750	0	\$918	\$1.22	\$0	\$0
1 Bedroom	70.0%	31	22.6%	750	23,250	\$1,071	\$1.43	\$33,201	\$398,412
2 Bedroom	58.2%	56	40.9%	950	53,200	\$1,061	\$1.12	\$59,407	\$712,884
2 Bedroom	30.0%	3	2.2%	950	2,850	\$551	\$0.58	\$1,653	\$19,836
2 Bedroom	50.0%	27	19.7%	950	25,650	\$918	\$0.97	\$24,786	\$297,432
2 Bedroom	60.0%	0	0.0%	950	0	\$1,102	\$1.16	\$0	\$0
2 Bedroom	70.0%	26	19.0%	950	24,700	\$1,268	\$1.33	\$32,968	\$395,616
3 Bedroom	57.1%	17	12.4%	1,200	20,400	\$1,211	\$1.01	\$20,579	\$246,948
3 Bedroom	30.0%	2	1.5%	1,200	2,400	\$636	\$0.53	\$1,272	\$15,264
3 Bedroom	50.0%	7	5.1%	1,200	8,400	\$1,061	\$0.88	\$7,427	\$89,124
3 Bedroom	60.0%	0	0.0%	1,200	0	\$1,273	\$1.06	\$0	\$0
3 Bedroom	70.0%	8	5.8%	1,200	9,600	\$1,485	\$1.24	\$11,880	\$142,560
Total/Average	58.5%	137	100%	888	121,600	\$1,006	\$1.13	\$137,820	\$1,653,840



CONSTRUCTION COSTS

LAND, HARD, AND SOFT COSTS

- Land Acquisition: \$678,000
(\$5,000/unit)
- Hard Costs: \$26.4M
(\$192,000/unit or \$186/sf)
- Soft Costs: \$7.8M
(30% of HC or \$55/sf)
- Total Cost: \$34.9M
(\$255,000/unit or \$247/sf)

Description	4% Elig. Costs	Total Cost	per GBA 141,596	per Unit 137	% of Total
Land/Acquisition Cost					
Land Cost	\$ -	\$ 677,837	\$ 5	\$ 4,948	1.9%
Land	\$ -	\$ 677,837	\$ 5	\$ 4,948	1.9%
Water Rights	\$ -	\$ -	\$ -	\$ -	0.0%
Subtotal Land Cost	\$ -	\$ 677,837	\$ 5	\$ 4,948	1.9%
Hard and Soft Costs					
Hard Costs	\$ 26,391,601	\$ 26,391,601	\$ 186	\$ 192,639	75.6%
Site Work	\$ 1,016,737	\$ 1,016,737	\$ 7	\$ 7,421	2.9%
Demolition & Removal	\$ -	\$ -	\$ -	\$ -	0.0%
Construction - New	\$ 17,262,000	\$ 17,262,000	\$ 122	\$ 126,000	49.4%
Other Upgrades - Underground Parking	\$ 1,624,000	\$ 1,624,000	\$ 11	\$ 11,854	4.7%
Owners Contingency (outside of GMP)	\$ 1,136,928	\$ 1,136,928	\$ 8	\$ 8,299	3.3%
General Requirements	\$ 1,233,772	\$ 1,233,772	\$ 9	\$ 9,006	3.5%
Contractor Overhead	\$ 466,137	\$ 466,137	\$ 3	\$ 3,402	1.3%
Contractor Profit	\$ 699,205	\$ 699,205	\$ 5	\$ 5,104	2.0%
P&P Bond	\$ 117,004	\$ 117,004	\$ 1	\$ 854	0.3%
Insurance	\$ 394,062	\$ 394,062	\$ 3	\$ 2,876	1.1%
Contractors Contingency	\$ 533,959	\$ 533,959	\$ 4	\$ 3,898	1.5%
Utilities	\$ 514,797	\$ 514,797	\$ 4	\$ 3,758	1.5%
Building Permits	\$ 708,000	\$ 708,000	\$ 5	\$ 5,168	2.0%
Apartment Appliances	\$ 685,000	\$ 685,000	\$ 5	\$ 5,000	2.0%
Total Hard Costs	\$ 26,391,601	\$ 26,391,601	\$ 186	\$ 192,639	75.6%
Soft Costs					
Architect & Engineering	\$ 1,156,000	\$ 1,156,000	\$ 8	\$ 8,438	3.3%
Property	\$ 36,000	\$ 36,000	\$ 0	\$ 263	0.1%
Lender	\$ 817,605	\$ 1,343,927	\$ 9	\$ 9,810	3.8%
Insurance	\$ -	\$ -	\$ -	\$ -	0.0%
Taxes	\$ 81,583	\$ 81,583	\$ 1	\$ 595	0.2%
Title and Closing	\$ 30,500	\$ 30,500	\$ 0	\$ 223	0.1%
Attorney Fees	\$ 41,667	\$ 92,000	\$ 1	\$ 672	0.3%
Bond Issuance Costs	\$ -	\$ 476,187	\$ 3	\$ 3,476	1.4%
Accounting Fees	\$ 25,000	\$ 25,000	\$ 0	\$ 182	0.1%
CO Tax Credit Fees	\$ -	\$ 197,428	\$ 1	\$ 1,441	0.6%
Reserves	\$ 156,834	\$ 673,624	\$ 5	\$ 4,917	1.9%
Other Costs (Developer Fee)	\$ 3,660,968	\$ 3,729,468	\$ 26	\$ 27,222	10.7%
Subtotal Soft Costs	\$ 6,006,157	\$ 7,841,717	\$ 55	\$ 57,239	22.5%
TOTAL CONSTRUCTION COST	\$ 32,397,758	\$ 34,233,318	\$ 242	\$ 249,878	98.1%
TOTAL COST WITH LAND COST	\$ 32,397,758	\$ 34,911,155	\$ 247	\$ 254,826	100.0%

STABILIZED PROJECT PERFORMANCE

REVENUES AND EXPENDITURES

- Effective Gross Income: \$1.59M/yr.
 - Average rental rates of \$1,006/unit or \$1.13/sf
 - 5% vacancy factor

- Operating Expenditures: \$740,000/yr.
 - \$5,400 per unit (includes tenant utility costs)
 - 46% of gross income

- Net Operating Income: \$854,600/yr.

Type	Rentable SF	Rent per sf	Total Revenue		% of Total
			Monthly	Annual	
REVENUE					
Rental Income			121,600	RBA	
			\$ 137,820	\$ 1,653,840	98.5% of PGI
1 Bedroom (30% AMI)	1,500 sf	\$ 0.61 per sf	\$ 918	\$ 11,016	0.7% of PGI
1 Bedroom (50% AMI)	23,250 sf	\$ 1.02 per sf	\$ 23,715	\$ 284,580	17.0% of PGI
1 Bedroom (60% AMI)	0 sf	\$ 1.22 per sf	\$ -	\$ -	0.0% of PGI
1 Bedroom (70% AMI)	23,250 sf	\$ 1.43 per sf	\$ 33,201	\$ 398,412	23.7% of PGI
2 Bedroom (30% AMI)	2,850 sf	\$ 0.58 per sf	\$ 1,653	\$ 19,836	1.2% of PGI
2 Bedroom (50% AMI)	25,650 sf	\$ 0.97 per sf	\$ 24,786	\$ 297,432	17.7% of PGI
2 Bedroom (60% AMI)	0 sf	\$ 1.16 per sf	\$ -	\$ -	0.0% of PGI
2 Bedroom (70% AMI)	24,700 sf	\$ 1.33 per sf	\$ 32,968	\$ 395,616	23.6% of PGI
3 Bedroom (30% AMI)	2,400 sf	\$ 0.53 per sf	\$ 1,272	\$ 15,264	0.9% of PGI
3 Bedroom (50% AMI)	8,400 sf	\$ 0.88 per sf	\$ 7,427	\$ 89,124	5.3% of PGI
3 Bedroom (60% AMI)	0 sf	\$ 1.06 per sf	\$ -	\$ -	0.0% of PGI
3 Bedroom (70% AMI)	9,600 sf	\$ 1.24 per sf	\$ 11,880	\$ 142,560	8.5% of PGI
Other Income			\$ 2,055	\$ 24,660	1.5% of PGI
Other Income	137 units	\$ 15.00 per unit	\$ 2,055	\$ 24,660	1.5% of PGI
POTENTIAL GROSS INCOME (PGI)			\$ 139,875	\$ 1,678,500	100.0% of PGI
Less: Vacancy 5.0% per year			\$ (6,994)	\$ (83,925)	-5.0% of PGI
EFFECTIVE GROSS INCOME (EGI)			\$ 132,881	\$ 1,594,575	95.0% of PGI
EXPENDITURES					
Operating Costs			\$ 5,401	per unit	
			\$ (61,667)	\$ (740,004)	46.4% of EGI
Advertising - steady state	137 units	\$ 1,644 per year	\$ (137)	\$ (1,644)	0.1% of EGI
Management Fee (3.5%)		3.5% of EGI	\$ (4,651)	\$ (55,810)	3.5% of EGI
Bond Compliance	137 units	\$ 27,452 per year	\$ (2,288)	\$ (27,452)	1.7% of EGI
Payroll	137 units	\$ 1,169 per unit	\$ (13,346)	\$ (160,153)	10.0% of EGI
Supplies	137 units	\$ 50 per unit	\$ (571)	\$ (6,850)	0.4% of EGI
Administration	137 units	\$ 50 per unit	\$ (571)	\$ (6,850)	0.4% of EGI
Accounting /Audit	137 units	\$ 100 per unit	\$ (1,142)	\$ (13,700)	0.9% of EGI
Contract Services	137 units	\$ 300 per unit	\$ (3,425)	\$ (41,100)	2.6% of EGI
Supportive Services	137 units	\$ - per unit	\$ -	\$ -	0.0% of EGI
Insurance	137 units	\$ 385 per unit	\$ (4,395)	\$ (52,745)	3.3% of EGI
Utilities	137 units	\$ 1,600 per unit	\$ (18,267)	\$ (219,200)	13.7% of EGI
Repairs	137 units	\$ 100 per unit	\$ (1,142)	\$ (13,700)	0.9% of EGI
Redecorating	137 units	\$ 100 per unit	\$ (1,142)	\$ (13,700)	0.9% of EGI
Ground Maintenance	137 units	\$ 5,000 per year	\$ (417)	\$ (5,000)	0.3% of EGI
Real Estate Taxes	137 units	\$ 81,000 per year	\$ (6,750)	\$ (81,000)	5.1% of EGI
Replacement Reserve	137 units	\$ 300 per unit	\$ (3,425)	\$ (41,100)	2.6% of EGI
TOTAL EXPENDITURES			\$ (61,667)	\$ (740,004)	46.4% of EGI
NET OPERATING INCOME (NOI)			\$ 71,214	\$ 854,571	53.6% of EGI

SOURCES AND USES

SUMMARY OF SOURCES OF FUNDS

Major sources include:

- 1st Mortgage
- LIHTC Funds
- El Paso County
- Division of Housing Soft Funds
- Deferred Developer Fee



SOURCES AND USES

SOURCE OF FUNDS: LIHTC

- Accounts for increase in eligible costs due to QCT adjustment
- Reflects the recent legislation setting the rate for 4% LIHTC funds at 4%
- Credit pricing is estimated at \$0.92
- **Total LIHTC Amount: \$15.5M**
- **44% of total project costs**

Description	Amount
Qualified Census Tract Adjustment Basis	130% \$42,117,085
Multiplied by the Tax Credit Percentage	40.00%
Net Amount of Tax Credits	\$16,845,149
Tax Credit Pricing Equity Investment	\$0.9199 \$15,495,988

SOURCES AND USES

SOURCE OF FUNDS: DEFERRED DEVELOPER FEE

- Deferred developer fee is used as a source of funds in LIHTC housing development
- CHFA allows for up to a 12% developer fee
- Deferred developer fee typically ranges from 30% to 50% of total fee
- Current analysis assumes a deferred developer fee of 40% of total fee
- Total Developer Fee: \$3.7M (12% of total cost)
- **Deferred Developer Fee: \$1.5M (40% of total fee)**



SOURCES AND USES

SOURCE OF FUNDS: 1ST MORTGAGE

- Terms: 3.85% rate, 40-year term, and 1.15 DSCR
- Stabilized annual NOI of \$854,571
- Maximum annual loan payment is estimated at \$743,100, based on DSCR of 1.15
- Total loan amount is estimated at \$15.0M
- Additional sources needed, specifically soft funds

Description	Total
Interest Rate	3.85%
Amortization (in years)	40
DSCR (Pro Forma/Year 15)	1.15
Estimated Loan Without TIF	
Available CF for Debt Service	
Stabilized NOI	\$854,571
TIF Revenue	<u>\$0</u>
Total	\$854,571
Max Loan Pmt	\$743,105
Loan Estimate	\$15,042,217



SOURCES AND USES

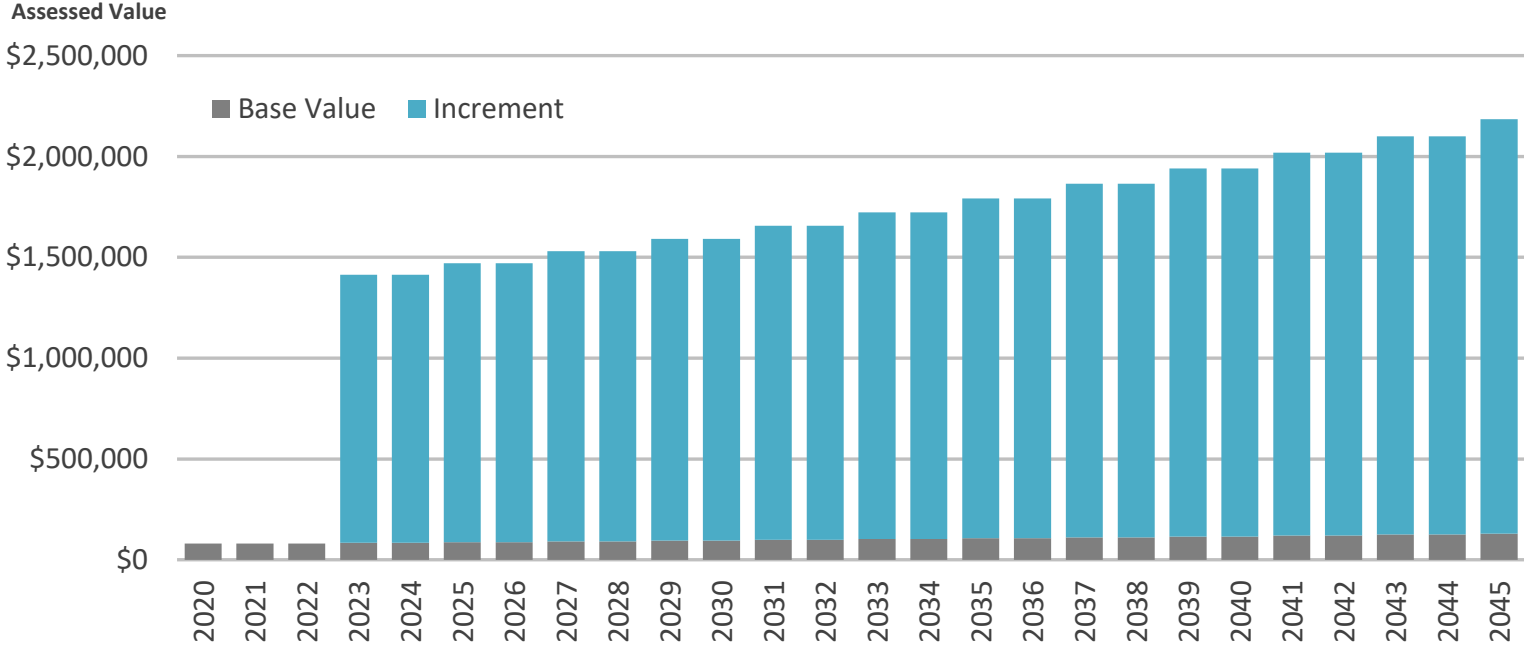
SUMMARY OF SOURCES OF FUNDS: WITHOUT TIF

- Soft funds include:
 - El Paso County: \$400,000
 - Division of Housing: \$1,00,000
 - Need for Tax Increment Financing
- Without TIF, the project has an estimated gap of roughly \$1.5M
- To close the gap, the developer has proposed utilizing TIF as an annual revenue source that can be used to increase the size of the 1st mortgage.

Description	Without TIF
1st Mortgage	\$15,042,217
Historical Federal Credit	\$0
Historical State Credit	\$0
LIHTC Credits	\$15,495,988
TIF Loan	\$0
Additional City Loan	\$0
Other - El Paso County	\$400,000
HOME/City of Co Springs	\$0
Division of Housing Soft Funds	\$1,000,000
GP Contribution	\$100
Deferred Development Fee (40.50% of total)	\$1,482,656
Total Sources	\$33,420,961
Total Uses of Funds	\$34,911,155
Gap (-) / Surplus (+)	-\$1,490,194

TIF REVENUE

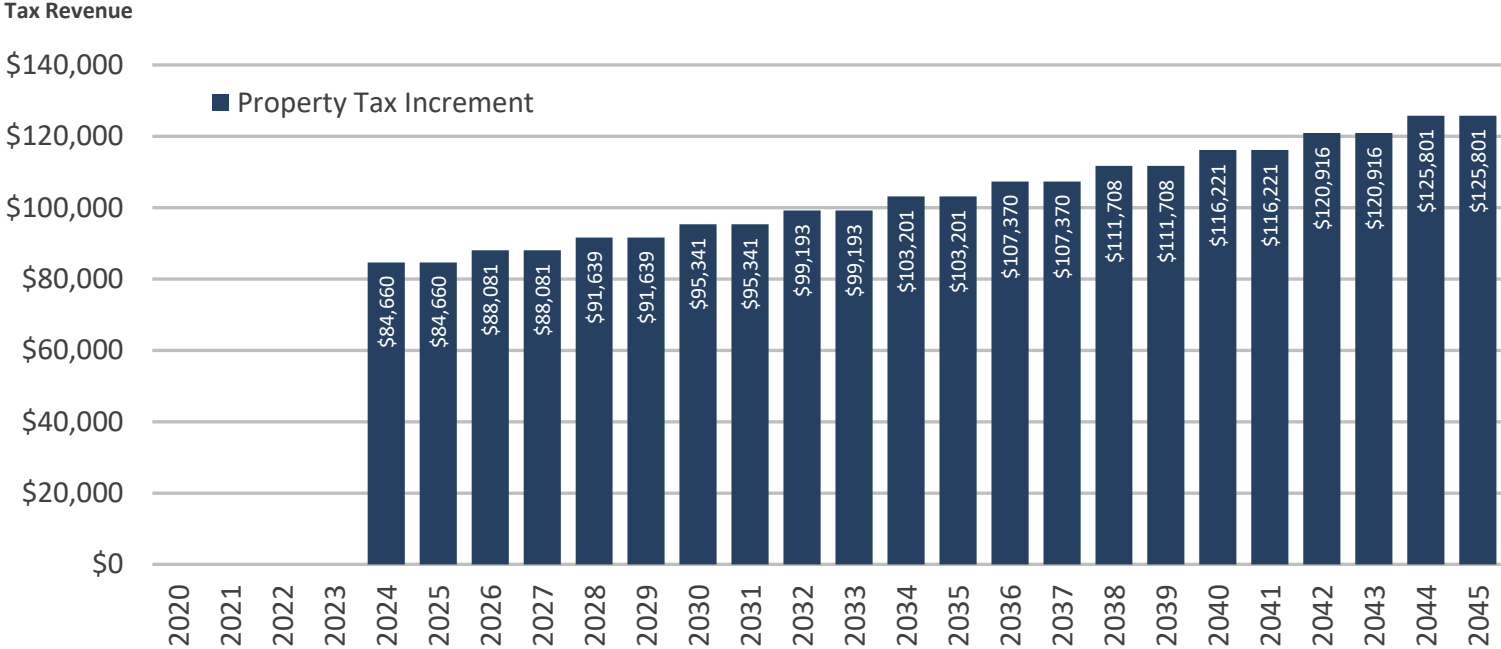
ASSESSED VALUE: BASE VALUE AND INCREMENT



Source: El Paso County Assessor; Economic & Planning Systems

TIF REVENUE

PROPERTY TAX INCREMENT



Source: El Paso County Assessor; Economic & Planning Systems

SOURCES AND USES

SOURCE OF FUNDS: 1ST MORTGAGE (WITH TIF)

- Without TIF, the project has an estimated gap of roughly \$1.5M
- Total TIF in the first year of cash flow (2024) is estimated at \$84,700
- Utilizing 100% of that TIF to service the 1st mortgage increases the total loan amount from \$15.0M to \$16.5M million and closes the funding gap.

Description	Total
Interest Rate	3.85%
Amortization (in years)	40
DSCR (Pro Forma/Year 15)	1.15
Estimated Loan Without TIF	
Available CF for Debt Service	
Stabilized NOI	\$854,571
TIF Revenue	<u>\$0</u>
Total	\$854,571
Max Loan Pmt	\$743,105
Loan Estimate	\$15,042,217
Estimated Loan With TIF	
Available CF for Debt Service	
Stabilized NOI	\$854,571
TIF Revenue (Year 1) 100.0% of yr. 1	<u>\$84,660</u>
Total	\$939,231
Max Loan Pmt	\$816,723
Loan Estimate	\$16,532,411

KEY CONSIDERATIONS

NEXT STEPS

- Reconcile EPS and developer models
- Confirm details related to URA fee
- Identify any distributions from the project to benefit the General Partner

