**Draft Report**

El Paso County Impact Report  
City Gate 2.0 Urban Renewal Area

**Prepared for:**

Colorado Springs Urban Renewal Authority

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1. Introduction

Economic & Planning Systems (EPS) has evaluated the proposed Weidner Development to be constructed around Switchback Stadium, which is known as City Gate 2.0. This report includes a summary of the expected fiscal impacts of the site included in the City Gate 2.0 Urban Renewal Plan (Plan) in El Paso County (the County). The El Paso County Impact Report for City Gate 2.0 Urban Renewal Area (report) was prepared by EPS ) for the Colorado Springs Urban Renewal Authority (“CSURA” or “Authority”).

The report includes 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):

C.R.S. 31-25-107: APPROVAL OF URBAN RENEWAL PLANS BY THE LOCAL GOVERNING BODY

(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:

1. The estimated duration of time to complete the urban renewal project;
2. 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;
3. 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;
4. 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
5. Any other estimated impacts of the urban renewal project on county services or revenues.”

# Urban Renewal Plan Description

The City Gate 2.0 Urban Renewal Area (“URA” or “Plan Area”) is located in the City of Colorado Springs in El Paso County. The Plan Area is comprised of three blocks in downtown Colorado Springs, generally south of Cimarron Street and west of Sahwatch Street. As shown below in **Figure 1,** the plan area wraps around the recently constructed Switchback Stadium, which is located at the corner of Cimarron and Sahwatch Streets.

Figure 1. City Gate 2.0 URA Boundary

Graphical user interface

Description automatically generated with medium confidence

1. Development Program

The proposed project for the Plan Area is primarily residential development with a small portion of retail to be constructed at the first level of each building. As shown in the site plan illustrated in **Figure 2** below, each block will be developed with a single, wrap multi-family structure. While there are differences among the three blocks, which will be constructed as three phases, each building has approximately 400 units, 12,000 square feet of retail floor area, 700 structured parking spaces. Approximately half of the parking will be dedicated to the residents, with the balance provided for public use. Note that the developer will charge for use of the parking (both to residents and to public users).

The project includes a number of public improvements, totaling $55.6M. The 869 public parking spaces are expected to cost $32.9M. Pedestrian plazas and public spaces will total $3M. There are street improvements, utilities upgrades, and demolition cots that total $9.6M. Finally, the developer with spend approximately $10M on façade enhancements and public art for the project. These improvements are expected to help activate downtown, recognizing that nearly 900 parking spaces for public use will help increase visitation to the stadium and other civic amenities downtown.

The current plan calls for this development program and set of public improvements. Actual units and square footage may see minor changes over the course of buildout.

Figure 2. City Gate Site Plan

Graphical user interface, application

Description automatically generated

1. County Fiscal Impact

In order to estimate the anticipated impact of the development of the parcels included in the Plan area boundary on the County, EPS evaluated expected property tax revenues, infrastructure costs, and impacts on cost of service for the County.

# Property Taxes

CSURA is expected to keep 100 percent of the property tax revenues generated by the Plan increment, which includes any property tax that is generated by new development on the parcels included in the Plan Area. These revenues are necessary to allow the project to move forward and will be used to fund eligible improvements.

## Assumptions

To estimate potential property tax revenues of City Gate 2.0, EPS has estimated market values for the multi-family units at $312,000 per unit with the retail valued at $370 per square foot. These estimated values are based on a comparison of construction costs, assessor data, and comparable property research, for urban locations with projects that have structured parking and a vertically integrated mixed-use program. EPS concludes that they are reasonable based on the analysis.

## Property Tax Base

The current assessed value of properties in City Gate 2.0 are roughly $1.1M per year, shown below in **Table 1**. This base reflects the total value of the land and buildings/improvements on each parcel. The assessment rate and mill levy are two universally used factors that generate revenue streams that are a portion of total valuation. The assessment rate for commercial property in Colorado is 29 percent and residential property is 7.15 percent. Note that per State regulations, vacant land is classified as commercial (29 percent) while multifamily is assessed as residential (7.15 percent). The 2021 mill levies for all parcels in the taxing district that includes the proposed Urban Renewal Area are shown in **Table 2**. The total mill levy in 2021 was 73.2650, which includes 7.9200 mills for El Paso County (including El Paso County Road and Bridge share).

Table 1. Property Base Value, 2021



Table 2. Mill Levies, 2021



Property Tax Increment

Based on the assumptions stated above and information from the developer, the cumulative value of the residential development is estimated at $615.2 million, and commercial development is estimated at $21.0 million, shown in **Table 3**. The future property taxes due to new development is referred to as the “Increment.” The development of City Gate over the next 25 years is expected to generate approximately $51.3 million in property tax increment over the 25-year period, which equates to an average of approximately $2.1 million per year, as shown in **Table 4**. Following the 25-year period, the parcels included in Plan Area are expected to generate approximately $3.7 million in total property taxes, which includes approximately $236,900 that is attributed to the base values and $3.4 million that is generated by the increment or new development.

Table 3. Development Value, 2021-2046



Table 4. Property Tax Increment, 2021-2046



# Taxing District Impact

El Paso County Impact

El Paso County property tax revenues, which include El Paso County (7.7550 mills) and El Paso County Road and Bridge (0.1650 mills), are based on the combined 7.92 mill levy. Existing property taxes refer to the “Base” and will continue to be collected by El Paso County. The county’s share of the current property tax base is $16,618, shown in **Table 5**. This base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $24,858 for El Paso County in year 25 and generating a total of approximately $542,381 over the 25-year period. After the 25-year period is complete, the county’s share of property tax revenues will increase to approximately $396,737 annually due to the new development. This includes approximately $371,128 generated by the property tax increment from City Gate.

Table 5. El Paso County Property Tax Revenue, 2021-2047



## Colorado Springs School District 11 Impact

The Plan Area is located within the Colorado Springs School District Number 11, which has a 51.1040 mill levy. The School District’s share of the current property tax base is $107,230, shown in **Table 6**, and will continue to be collected by the School District. The base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $160,396 in year 25 and generating a total over $3.5 million over the 25-year period. After the 25-year period is complete, the School District’s share of property tax revenues will increase to approximately $2.5 million annually due to the new development. This includes approximately $2.4 million generated by the property tax increment from City Gate.

Table 6. School District Property Tax Revenue, 2021-2047



## City of Colorado Springs Impact

The City of Colorado Springs has a 4.279 mill levy. The city’s share of the current property tax base is $8,979, shown in **Table 7**, and will continue to be collected by the city. The base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $13,430 in year 25 and generating a total of approximately $293,036 over the 25-year period. After the 25-year period is complete, the city’s share of property tax revenues will increase to approximately $214,348 annually due to the new development. This includes approximately $200,512 generated by the property tax increment from City Gate.

Table 7. City of Colorado Springs Property Tax Revenue, 2021-2047



## Pikes Peak Library District Impact

The Plan Area is located within the Pikes Peak Library District, which has a 3.8550 mill levy. The Library District’s share of the current property tax base is $8,089, shown in **Table 8**, and will continue to be collected by the Library District. The base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $12,099 in year 25 and generating a total of approximately $264,000 over the 25-year period. After the 25-year period is complete, the Pikes Peak Library District’s share of property tax revenues will increase to approximately $193,109 annually due to the new development. This includes approximately $180,644 generated by the property tax increment from City Gate.

Table 8. Library Property Tax Revenue, 2021-2047



## Southeastern Colorado Water Conservancy District Impact

The Plan Area is located within the Southeastern Colorado Water Conservancy District, which has a 0.9420 mill levy. The Water Conservancy District’s share of the current property tax base is $1,977, shown in **Table 9**,and will continue to be collected by the Water Conservancy District. The base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $2,957 in year 25 and generating a total of approximately $64,510 over the 25-year period. After the 25-year period is complete, the Southeastern Colorado Water Conservancy District’s share of property tax revenues will increase to approximately $47,188 annually due to the new development. This includes approximately $44,142 generated by the property tax increment from City Gate.

Table 9. Water Conservancy Property Tax Revenue, 2021-2047



## Colorado Springs Downtown Development Authority (DDA)

The Plan Area is located within the Colorado Springs DDA which has a 5.0000 mill levy. The DDA’s share of the current property tax base is $10,491, shown in **Table 10** and will continue to be collected by the Authority. The base amount is expected to grow at 3.0 percent every two years resulting in an annual amount of $15,693 in year 25 and generating a total of approximately $ 342,412 over the 25-year period. After the 25-year period is complete, the DDA’s share of property tax revenues will increase to approximately $250,465 annually due to the new development. This includes approximately $234,298 generated by the property tax increment from City Gate. This total accounts for the full 5.0 mills and reflects the maximum amount of impact to the DDA. Historically, based on agreements achieved on other URA projects within the DDA, there has been a 60/40 split, with the DDA retaining 40 percent of their property tax base. If a similar agreement can be achieved on Citygate 2.0, the impact would be reduced from what is shown below.

Table 10. Colorado Springs DDA Property Tax Revenue, 2012-2047



# Sales Taxes

CSURA is expected to keep 2.0 percent of city sales tax and 1.0 percent of county sales tax revenues generated by sales on-site. This is the increment sales tax, which includes all sales tax generated from the new retail development on parcels included in the Plan Area. These revenues are necessary to allow the project to move forward and will be used to fund eligible improvements.

Assumptions

Annual sales are estimated at $350 per square foot of retail space.

EPS has also assumed an annual growth rate in sales of 2.0 percent per year.

The 2021 El Pas County sales tax rate is 1.23 percent, of which 1.0 percent will be allocated for TIF.

## Sales Tax Increment

The future sales taxes due to new retail development is referred to as the “Increment.” The development of City Gate over the next 25 years is expected to generate approximately $3.4 million in county sales tax increment over the 25-year period, which equates to an average of approximately $136,900 per year, as shown below in **Table 11**.

Table 11. Sales Tax Increment, 2021-2046



# Summary of Impact

## Cost of Service and Infrastructure Costs

Development projects such as Citygate 2.0 will generate fiscal and economic impacts to El Paso County, with factors that are both positive and negative. Some uses, such as the residential (which accounts for a majority of the floor area in the development) will have an impact on County services and costs.

It is important to recognize that the cost of service and infrastructure costs vary depending on whether or not the development occurs within incorporated or unincorporated areas. The entire Plan Area is located within the City of Colorado Springs municipal boundaries. It is also noteworthy that the majority of urban services required by the new development will be provided by the City of Colorado Springs, such as police, parks and recreation, water, sewer, and general administration such as planning, zoning, land use code enforcement, business licensing, etc.

It is also important to recognize that the fiscal analysis shown above stands alone from a larger landscape of economic impact. The public improvements –- specially the 869 public structured parking spaces – will increase visitation to downtown Colorado Springs with an accompanying level of spend that can be expected to support existing business and civic amenity in the area.

For the purposes of this analysis, EPS has provided detailed calculations of the TIF revenues to be used to service debt for City Gate 2.0, for each of the taxing entities within the county. The analysis assumes that the modest additional service cost to the County associated with the future development within the City of Colorado Springs is balanced by additional revenue sources, such as intergovernmental transfers, fees for services, and the additional visitor spend referenced above. The County is expected to have no financial exposure for infrastructure costs or other capital improvements, at time of construction or on an on-going basis. Future infrastructure costs that are associated with development on parcels included in the Plan boundary are anticipated to be financed by the developer initially, and by the Colorado Springs Urban Renewal Authority and the City of Colorado Springs in the future.

## Summary of the Net County Impact

Based on the analysis included in this report, EPS anticipates that the impact of the proposed Citygate 2.0 Urban Renewal Plan on El Paso County will be positive. If the County portion of the property taxes was deferred during this period, the County would experience an annual fiscal impact of $17,915 in 2023, the first year of development. By 2047, the end of the 25-year tax increment financing period, the County’s portion of property tax is expected to increase to just under $400,000 per year as a result of the development. The County can expect to receive this approximate level of revenue upon the sunsetting of the TIF in 2047.

Based on previous experience evaluating county fiscal structures, EPS has an understanding of expenditures, revenues, and alternative revenue sources that new development generates as well as the corresponding costs of service attributed to various development types. Moreover, because the future development will be located within the City of Colorado Springs, and the City is responsible for a majority of services, including ones with typically higher costs to local government (i.e., police, public works, water), the County’s exposure in terms of its financial outlay will be modest and is expected to be mitigated with other revenue sources.