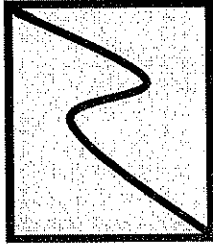


Peer into the future before it becomes the present
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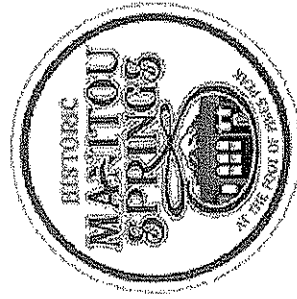


Applied Economics

Manitou Springs East Corridor Urban Renewal Area: Economic and Tax Increment Analysis

Prepared for:

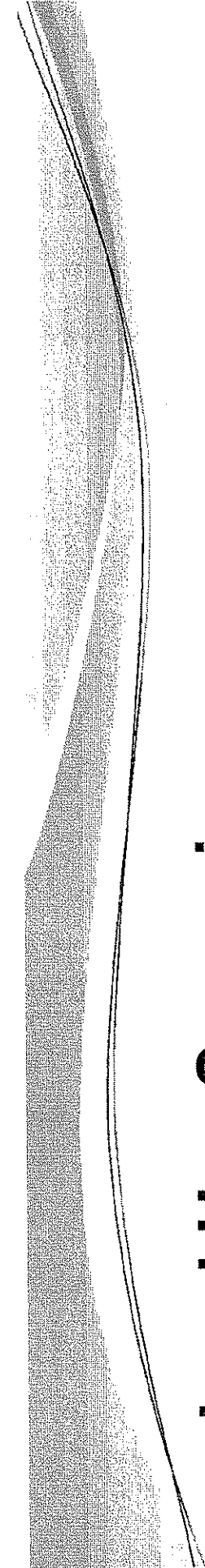
Manitou Springs Urban Renewal Authority





Objectives:

- Projections of new incremental local government tax revenue that could result from alternative land use scenarios for the Manitou Springs East Corridor Urban Renewal Area (URA).
- Estimate portion of those revenues available to the Urban Renewal Authority for use in Tax Incremental Financing (TIF) to assist with the potential redevelopment of the Area.



Land Use Scenarios

N.E.S. Inc, in cooperation with the Urban Renewal Authority has developed two alternative land use scenarios for study:

- Plan “A”: respects existing parcel lines and ownership
- Plan “B”: assumes that redevelopment will occur by assembling parcels

Plan "A"

<u>Land Use Category</u>	<u>Sq. Ft.</u>	<u>Motel Units</u>	<u>D.U.s</u>
Motel 1		75	
Motel 2		100	
Existing Motel (additional units)	-	0	
Attraction	-		
Non-Res Office	24,700		
Non-Res Specialty Retail (taxable)	24,700		
Non-Res Retail services (non-taxable)	24,700		
Multi Family	-		68
Restaurant (full-service)	6,750		
Restaurant (limited-service)	6,750		
TOTAL	87,600	175	68



Projected Tax Increment - Plan "A"

- Total tax increment revenues over 25 year period = \$21.2 million
- New incremental sales tax revenues comprise \$14.7 million, or 69% of the total
- Annual incremental revenue in Year 5 at stabilization = \$767,000
- 25 year total tax increment by source govt entity:

City of Manitou Springs	\$16.2 million
El Paso County (property tax only)	\$0.7 million
School District 14	\$4.2 million
SE Water Conservancy District	\$.09 million

Plan "B"

<u>Land Use Category</u>	<u>Sq. Ft.</u>	<u>Motel Units</u>	<u>D.U.s</u>
Motel 1		75.0	
Motel 2		50.0	
Existing Motel (additional units)		3.0	
Attraction	10,500		
Non-Res Office	23,250		
Non-Res Specialty Retail (taxable)	23,250		
Non-Res Retail services (non-taxable)	23,250		
Multi Family	-		290
Restaurant (full-service)	14,750		
Restaurant (limited-service)	14,750		
TOTAL	109,750	128	290



Projected Tax Increment - Plan "B"

- Total tax increment revenues over 25 year period = \$30.0 million
- New incremental sales tax revenues comprise \$19.8 million, or 66% of the total
- Annual incremental revenue in Year 5 at stabilization = \$1,051,000
- 25 year total tax increment by source govt entity:

City of Manitou Springs	\$22.1 million
El Paso County (property tax only)	\$1.1 million
School District 14	\$6.7 million
SE Water Conservancy District	\$.13 million



Bond Financing Assumptions

- Term: 25 years
- Average Interest Rate: 7.0%
- Capitalized Interest: 36 months
- Interest only bonds: 3 years
- Debt Service Reserve: 10% of par amount of bonds
- Issuance Expenses: \$275,000 plus \$20/bond discount
- Debt Service Coverage: at least 1.5 times
- Use of Coverage in subsequent year: transfer to the City



TIF Revenue Bonds – Plan “A”

- Par Amount of bonds: \$6,336,572
- Debt Service Reserve: \$637,657
- Capitalized Interest: \$1,336,980
- Funds Available for Project: **\$4,030,000**
- Average Annual Debt Service: \$601,217
- Debt Service Coverage: at least 1.5 times
- Total Transfers back to City: \$7.4 million over 25 years
PV @4% = \$4.1 million



TIF Revenue Bonds – Plan “B”

- Par Amount of bonds: \$9,153,101
- Debt Service Reserve: \$915,310
- Capitalized Interest: \$1,922,151
- Funds Available for Project: **\$5,915,000**
- Average Annual Debt Service: \$865,000
- Debt Service Coverage: at least 1.5 times
- Total Transfers back to City: \$10.5 million over 25 years
PV @4% = \$5.8 million



Alternative Financing Structures

Less risk to City/Authority



1. Developer acquires land and constructs infrastructure using private financing and receives a portion or all of the annual tax increment revenue as reimbursement.

More risk to City/Authority



2. Developer acquires land/constructs infrastructure using temporary private financing, forms Title 32 District to issue reimbursement bonds. URA Authority pledges annual tax increment revenue to the Title 32 District.

Alternative Financing Structures (cont.)

Less risk to City/Authority



3. Authority issues tax increment bonds, but developer guarantees a portion or all of the bonds by providing one or more of the following:
 - ✓ Posting a LOC or escrow funds
 - ✓ Purchases all of the bonds as “cash flow” bonds
 - ✓ Purchases a portion of the bonds with a subordinate lien

More risk to City/Authority



4. Authority issues bonds to finance land acquisition/construct infrastructure with the City of Manitou Springs guaranteeing the debt via voter authorization or a “moral pledge”