Tax Increment Financing Application

for

**3175 Jet Wing Drive**

**Colorado Springs, CO 80916**

Presented by BCR Management, Inc.

August 1, 2020

The Colorado Springs Urban Renewal Authority

30 S. Nevada Ave. #603

Colorado Springs, CO 80903

Phone: 719-385-5714

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**1. Where is the project located?**

The project is located within the Mission Trace Shopping Center at the South East side of the intersection of Hancock Expressway and South Academy Boulevard in the South East area of Colorado Springs. Address: 3175 Jet Wing Drive, Colorado Springs, CO 80916. Assessor schedule #6435320007

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

The project will include but not be limited to the redevelopment of approximately 24 acres. Additional non-profits, corporations and locally owned small businesses may choose to join this URA. The actual King Soopers parcel is 4.97 acres in size and is contained within Mission Trace.

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

The current Mission Trace Shopping Center comprises roughly 270,000 SF of mixed-use commercial space, 1000+ parking spaces and over 24 acres. It is envisioned that the long dormant King Soopers Shopping Center (about 58,000 SF) will be torn down and replaced by 50-75,000 SF of New Market Tax Credit (NMTC) commercial space that will provide discounted rent to local businesses, philanthropic organizations, workforce training, and low income health care providers. This will be run as a non-profit.

There will be 280+ units of low income and affordable apartments built on the site (approximately 170,000 SF) where the King Soopers is located. All apartments will serve people earning 60% or less the El Paso County Median income. The remaining 9,800,000+ SF of land and 220,000 SF of buildings of the Mission Trace Shopping Center - built in 1986 - will be rehabilitated and modernized and become a hub of activity in the South East. The current zoning is PBC and it is expected to remain PBC. It may take a Conditional Use Permit with the City of Colorado Springs. All three (3) phases of the development would take place between 12 and 18 months after the URA is put into place.

**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?**

The majority of Mission Trace Shopping Center is owned by Craddock Commercial. Five (5) acres of land under the King Soopers Shopping Center are under contract by BCR Management. The project is planned to be phased.

Phase I would be the demolition of the existing King Soopers Shopping Center and modernization of the existing commercial space.

Phase II would be the rehabilitation and modernization of the existing buildings and the construction of 280+ LIHTC apartments.

Phase III would be the construction of between 50-75,000 SF of NMTC commercial space which would be run as a non-profit. It is envisioned that the URA and LIHTC would be approved in the summer of 2021 with construction taking approximately 12 months. The NMTC would follow in the summer of 2022 with completion in 2023.

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

BCR Management (Thomas Brattle Gannett “Toby”) will lead the URA process. The entity would be a new LLC that would be composed of Thomas B. Gannett “Toby” of BCR Management, Brendan Clarke CCIM of Clarke Commercial Group and Matt Craddock CCIM of Craddock Commercial Real Estate.

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

The first $2,000,000-$2,500,000 of the URA will go to pay off the purchase price of the King Soopers land and its development, which will make the LIHTC apartments and NMTC commercial cooperative possible. The balance will go towards revitalizing the existing site of which many of the existing businesses struggle to pay upkeep costs. This would make the existing businesses more resilient. The NMTC portion of the project would be run as a non-profit. The developer would benefit from the developer fees derived from the LIHTC part of the project.

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

The project would envision utilizing property tax and sales tax increments and possibly a private property tax.

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

The project will be a combination of existing equity in the Mission Trace Shopping Center 270,000 SF of buildings valued at $27M. The capital stack would be made up of: $25M in CHFA debt; $13M in debt financed on the private market; $25M in Private Activity Bonds (PAB); $3M in NMTC proceeds; URA funds (yet to be determined – but estimated at $3M); $400,000 in HOME Funds; $400,000 in El Paso County loans; and, up to $1.5M in deferred developers fees. In addition to the public and private contributions, it is expected that there will be significant support from the local philanthropic community.

The total project costs including existing land and buildings are estimated at over $71.3M. Early and positive conversations have taken place between the developers and: The Pikes Peak Community Foundation; Myron Stratton Home; El Pomar; and, several other interested parties. Any funds that come from these sources would be additional, and only make the project better for the community.



**9. What is the developers experience with TIF, urban renewal and operations?**

Toby Gannett has served on the Board of the Colorado Springs Urban Renewal Authority since 2016. Craddock Commercial has experience with NMTC projects. Clarke Commercial has experience in commercial development, ownership, and leasing.

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

The proposed development would not work without tax-increment financing. When utilizing the four-percent non-competitive tax credits program it requires that we offer reduced rents compared to market rate rents. The intention is to offer the entire project at 60% of the area median income.

The project would not work without TIF financing as there would not be sufficient funds to purchase the land on which the LIHTC and NMTC projects will reside, nor would there be sufficient funding to rehabilitate the buildings that date to the 1980’s and are in need of ADA updates, new parking, landscaping and other improvements.

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

We have done a preliminary model which has 280+ units on this site. They will all serve people earning 60% or under the EL Paso County Area Median income.

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

There are no known environmental or hazardous conditions on site.

**13. What is the public benefit/purpose of this project and how will its development benefit the neighborhood, city districts and/or county/state?**

The purpose of the project is multifaceted. The first is the economic revitalization of South East Colorado Springs. While this project will not be the end-all be-all we envision this project to being an important step in that direction. Mission Trace Shopping Center has long been a target of both the South East and the City in general as an opportunity for Economic Development. The existing and abandoned King Soopers clearly represents blight; it is a visible drag on the shopping center and the area surrounding it. Our goal is to remove this blight and bring more business to the area in Phase I of this project, that is the demolition of the derelict King Soopers currently abandoned on the site.

Phase II will bring 280+ units of affordable and low-income housing into the area. This is a critical component of meeting the Mayor’s desire for 1000+ units of such housing a year in order to keep up with demand. All apartments will be at or below the 60% AMI for ECP.

Phase III will be intended to bring 50-75,000 SF of services and economic development space to the South East to serve the population. This will be run as a non-profit with subsidized rents. While planning for this is in the early stages, discussions are taking place with the region's largest, medium and smallest non-profit and philanthropic organizations and the South East stakeholders on what the community, city and county needs are in the area. While the South East is one of our areas where the need is greatest, there are not enough service providers that are located in the SE to meet the significant demand. The goal of the NMTC part of this project is to take a direct look at those needs and address them directly.

**14. How do you foresee the long-term viability of the development, specifically beyond the URA TIF timeline?**

The South East has been struggling for over a decade. A lack of capital investment has hindered the area. We view this project as a *catalyst for revitalization*, but not gentrification. The South East is home to many hard-working families and businesses. The goal of this project is to bring substantial investment and revitalization into the area, while meeting the needs of the South East community when it comes to affordable and low-income housing, health care services, jobs, job training, workforce development and economic development for the current residents of the area. As housing and rental rates increase, more and more hard-working South-East residents are being forced out of the area. While the development team believes there is strong long-term viability for the project beyond the URA TIF timeline, the need has existed for a decade and will only get more significant. The time for action, we believe, is now.

**15. What risks does the project pose to the city, county and other districts and how are those risks being mitigated? How will this project impact other Urban Renewal Areas (positively or negatively)?**

This will be a unique URA project based on past URA projects. It is only the second to attempt to address affordable and low-income housing. It will be the first to revitalize an existing shopping center in a low to moderate income area of our community targeting economic development and job creation. It will also be different as it will also attempt, through a community wide effort in Phase III, to bring services to a blighted area that will help those living in poverty, and attempt to bring services that will lift the residents out of poverty through education, supportive services and job training.

It is not anticipated that this project will impact other URA areas based on its ambitious multi-faceted approach. Fundamentally, this project is aimed at Economic Development at every level for an area most in need. There are inherent risks with all such projects, however, there are also greater risks with not directly taking on the economic needs of all our community.

**16. How do plans for this project compare to other approved projects or urban renewal areas?**

This project is inherently unique in the history of the URA. At the same time, the development team strongly believes that when you look at the core values of the URA, this project may be most in alignment. There has been debate about the URA’s involvement in “greenfield sites”, “gentrification”, “supporting winners and losers” and what the role of the URA has in Economic Development. This project, at its core, is about all of the community coming together to address the need for more jobs, sustainable affordable and low-income housing for the working class in our community, and providing services for those earning under $75,000 a year in our community as housing and cost of living prices skyrocket.

This project will combine the strengths of URA, the City, County, State, Federal Government, the Philanthropic Community, and the Private Sector to address critical needs for our community and our residents. This project has elements of other URA projects, but at its core, it is leveraging URA resources on a level not done before, especially when viewed through the lens of those who work hardest for our community.

**17. How will this project impact/ incorporate current residents and businesses in or near the project area?**

The key desire of the Development Group is to avoid gentrification. Too often in our country’s history, progress is measured by redevelopment that leads to the existing residents and businesses being relocated in the name of progress. Some existing businesses may choose to relocate, but that is their choice. The Development Group’s aim is to build a community HUB that addresses the areas need for affordable and low-income housing, affordable office, restaurant, and commercial space while improving the quality of lives for people living in the area. The goal is to retain the affordability of housing and commercial space in the area while revitalizing the area from a business perspective. In the long term the city will benefit from increased sales and property tax revenues that will result from the revitalization of the area.

**18. What considerations have been made in regard to minority or woman-owned businesses for the project?**

While the project is in its early stages, the development group believes that a key differentiator for this project will be to engage the community, and the minority and woman owned business in the South East. A key consideration for the rental of existing commercial space and Phase III commercial space will be that they are locally owned and headquartered in the area. There will be a need to have pad sites generate the greatest TIF to make the project viable, however, every consideration will be made to focus these businesses on minority and women-owned businesses. All LIHTC apartments will be run in strict adherence to HUD guidelines on equal opportunity.

**19. How will this project impact public services (transit, police/fire, schools, and libraries)?**

In short, we hope a great deal. The South East is an area where residents are greatly underserved in terms of transit. For people earning under $75,000 a year, public transportation is critical from both an economic development perspective as well as reducing their costs to work and live in the community. Too many LIHTC projects are far from transit hubs – especially for people relying on public transportation; this adds hours to their existing workday. Colorado Springs has some of the lowest walkability, bikeability and transit scores in the state. This project will depend heavily on the City to provide a transit hub at or near the project. We hope to partner with SD-2 to provide affordable and low-income housing for their teachers and staff who can no longer afford to live in the district. We hope to partner with PPLD in the NMTC phase of the project.

**20. How will this project impact the tax base surrounding the area?**

For over a decade the South East area of Colorado Springs has trailed behind the rest of the City in terms of economic growth. This has led to relative declines in property tax and sales tax incomes for the area. Online sales have also cut into the tax base of the area. The fundamental goal of the project and the project design is to increase tax revenues generated by the three phases of the project to generate the greatest possible TIF. This will be by a delicate balance of TIF generating business and local business that generate less TIF. Both are important in moving this project forward.

Increasing property and sales tax revenue is critical for the local school district. A URA in the SE region will effectively take the tax revenue from the area and reinvest it into the long-term future of the South East and its residents.

**21. Are you looking to bond, and if so, how do you foresee the bonds of the project being administered?**

The Development Group is looking to bond. The combined experience of the Development Group includes multiple URA projects, NMTC Projects and more than 2 million SF of Commercial, Senior, Mixed Use, Retail, Office, Storage, and industrial space. These bonds will be administered by a new LLC that will be a combination of the interests of the Principals.

**22. What considerations have been made for affordable housing with the project?**

The URA designation will be critical in facilitating the construction of over 280 affordable and low-income housing units for the next 30+ years. If not for the URA, this part and the NMTC part of the project would not be able to proceed.

In addition to the above questions, please also provide:

1. A two-page narrative and summary describing the development objectives of the project including proposed land uses; and,
2. Locations for those uses including a discussion as to how the project furthers the Authority’s objectives and Mission Statement.

**Please see Exhibit A**

**Exhibit A**

**Narrative and Summary**

For the past several years, there has been intense community focus on the need for affordable and low-income housing, especially in the South East area of Colorado Springs. There has also been a strong desire by the community to improve areas in the South East with redevelopment without gentrification. The redevelopment of Mission Trace Shopping Center has been the goal of many advocates of the South East since the King Soopers closed more than 16 years ago, however, funding has been a key barrier to realizing this dream.

The development/redevelopment team of the Mission Trace Shopping Center believe they have finally found a unique solution that will combine the redevelopment of Mission Trace, the removal of the old King Soopers, the construction of over 280 affordable and low income apartments and the development of a New Market Tax Credit commercial center. The only way that the redevelopment and development of the Mission Trace Shopping Center can happen, is if it becomes a new Urban Renewal Site. It is envisioned that URA will act as a *catalyst for revitalization* of the existing buildings and making the Low-Income Housing Tax Credit (LIHTC) housing and New Market Tax Credit (NMTC) commercial space possible. These programs will leverage URA funds several folds and allow for the revitalization of the critical area of our community.

**Phase I**

In the first phase of the redevelopment of Mission Trace the existing King Supers Shopping building - which has been vacant for over 16 years - will be torn down. The site will then be prepared for the LIHTC project and the NMTC project. There will also be numerous improvements undertaken at the site such as new parking lots, curbs, lighting, landscaping, ADA improvements. The existing buildings were built in 1986 and need improvements to add capacity and better insulation and new paint. Many of the HVAC systems are dated and inefficient. The owners are also contemplating many demand side management utility improvements and possibly the addition of passive and active solar. All these improvements would be made to renew the existing buildings. The developer hopes that the city would consider working with the developer during this stage to create a much-needed new transportation hub on Academy so that Mission Trace is accessible to and from many other parts of the city. This would both increase the traffic in the existing buildings driving higher TIF, but also make Mission Trace more attractive for residents who would come with Phase II.

**Phase II**

In the second phase of the redevelopment of Mission Trace 280+ low income and affordable apartments will be built. This phase of the project will bring much needed affordable and low-income housing to the South East. This project would only be possible, with URA at Mission Trace. The apartments would be built using modular construction and they would incorporate universal design including but not limited to interior hallways and elevators. All units would be either ADA friendly or accessible. The project would also incorporate numerous state of-the-art demand side management features as well as the use of active solar to reduce energy costs. The project would be designated as “Green Built” and carry a low carbon footprint.

**Phase III**

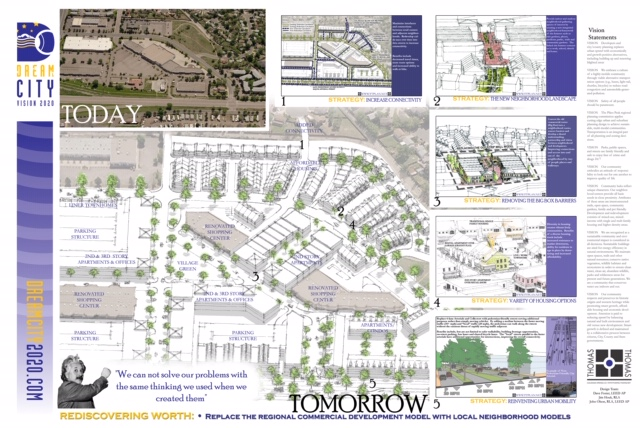
In the third phase of the development there would be the construction of a New Market Tax Credit (NMTC) commercial space on a portion of the land on which the old King Soopers stood. The NMTC program is a federal program that helps stimulate lower costs commercial construction in low income areas. The aim of the program is to support people living in poverty through workforce training, employment, providing health care services, meal programs and educational services. The idea behind the program is to support people who are living in low socio-economic areas while also giving them a hand up out of poverty through different opportunities.

This project would not be possible if it were not for the URA. It is envisioned that the developer will work with several nonprofit and philanthropic organizations and residents of the South East to design, build and finance this commercial space for the community and businesses. The desire of the developers is to create common spaces - both inside and out - that are aesthetically appealing and have strong connectivity to the greater community through the arts and using high quality design.

**The Mission of the Colorado Springs Urban Renewal Authority is to encourage private investment and investment that restores targeted areas with strong community’s benefits while strengthening the tax base of the city.**

A URA designation for the Mission Trace Shopping Center will enable a team of developers to then leverage existing assets in the shopping center while also curing the blight brought about by the closure of King Soopers more than 16 years ago. This closure has been a headwind to all the existing businesses since that time. The development team, though a master planned three (3) phase approach will leverage URA funds to bring tens of millions in additional private and public equity to redevelop the area. The redevelopment and then development of the Mission Trace Shopping Center will cure blight, promote projects of public benefit, create quality and sustainable spaces, raise standards of development, create jobs, promote public art and facilitate the delivery of affordable and low-income housing.

As a footnote, I was sent this Dream City 2020 by John Olsen back in 2009.  The irony is that we are in 2020. A timely reminder of how long this has been a dream of the community. Now the City has the opportunity to make it a reality.



**Exhibit B**

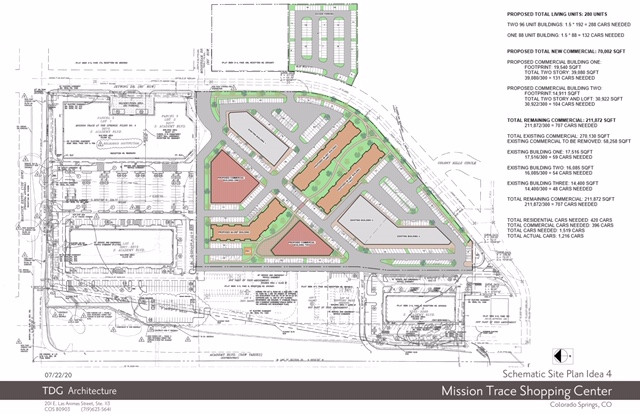
**Vicinity Map**

A map of a building

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**Exhibit C**

**Location of parking, parking access and total parking count.**



**Exhibit D**

**Development Team**

Toby Gannett MBA, President BCR Management

3145 Electra Drive,

Colorado Springs,

Colorado 80906

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Toby Gannett grew up in the development business as his father built the largest Real Estate company in New England and developed a ski area recently sold to Vail Resorts. He has been in the commercial Real Estate and development business since 2000 and has developed, managed, owned, successfully sold numerous projects that have earned over 30 national, state, and local awards including 2 National Home Builders Awards. These projects have included apartments, retail, office, mixed use, and senior housing projects. He has taken the past few years outside of commercial development to go to school, however, he is returning to Real Estate to address the community need for affordable and low-income housing. He has served for the past 4 years on the Colorado Springs Urban Renewal Authority.

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Brendan Clarke CCIM, President, Clarke Commercial Real Estate

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Colorado 80906

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Brendan Clarke served as a fighter pilot for the Royal Air Force and the Royal New Zealand Air Force (RNZAF). After retiring as a Major from the RNZAF he flew Boeing 777’s for Air New Zealand. Brendan is a veteran military and airline pilot with more than 9,000 hours of worldwide experience. Brendan has been in commercial Real Estate since 2013 and has attained the highest certification in commercial Real Estate as a Certified Commercial Investment Manager (CCIM). He has been a broker, investor, and property manager in dozens of projects along the front range of Colorado. He currently runs his own independent firm – Clarke Commercial.

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Matt Craddock CCIM, Principal/CEO, Craddock Commercial Real Estate

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Colorado Springs,

Colorado 80903

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Matt Craddock is Principal/CEO of Craddock Commercial Real Estate which was founded in 1967. Craddock Commercial is one of the oldest commercial Real Estate firms in Colorado Springs. Matt grew up in this family business and eventually came to lead the company and earn his designation as a Certified Commercial Investment Manager (CCIM). Matt has been involved with dozens of commercial development and redevelopment projects from the Front Range to New Mexico.

The Development Team will also include:

Tremmel Design Group

S.B. Clarke Financial

Colarelli Construction

Tappis Associates Inc

Kutak Rock LLP

Whitehead Engineering LLC

EnTech Engineering Inc

Rocky Mountain Land Services