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Erie Town Center Phase 1 Feasibility Study

Town of Erie

April 14, 2025

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Town of Erie Urban Renewal Authority
Town of Erie, Colorado

Dear Julian,

The Town of Erie has engaged Pioneer Development Company (PDC) to review a development project (Erie Town Center Phase 1) requesting financial assistance within the proposed Erie Town Center Urban Renewal Plan. This assistance would be provided by a public private partnership between the Town of Erie, TOEURA and the developer. The financial assistance will leverage a variety of public incentives, including Tax Increment Financing (TIF). The Feasibility Study's purpose is to determine the project's financial need, quantify the funding gap, estimate the cost to serve the project, and optimize tax revenue sharing agreements that yield feasible outcomes.

The project is located on ~20-acres of Town-owned property within the Erie Town Center Planned Development (PD) area. The Town adopted this PD to facilitate development that aligns with the community's vision for the area. The Erie Town Center PD encourages new urbanism principles and form-based codes, with an emphasis on compact, walkable development. Despite this regulatory effort and potential land equity, a lack of public infrastructure, historic undermining and other conditions are challenging the site's development. The conditions arresting sound development throughout the proposed Plan area have been catalogued in the Erie Town Center Conditions Survey (submitted November 5th, 2024) and underscore its need for a public private partnership.

The Project's developer is Evergreen Devco Inc (Evergreen). Evergreen is proposing a commercial development that meets the Town's PD and includes a grocer, restaurants, and commercial office space. Although this development program is typical for the carbon valley market area, extraordinary development costs associated with the site's undermining and lack of public infrastructure create a financial hurdle that cannot be overcome without public assistance. The developer is requesting financial assistance from the Town and TOEURA to help mitigate the identified blighted area factors. The applicant is requesting additional funding resources from the Town, TOEURA and TOEURA's partnering taxing entities to assist with the site's development and help make this concept feasible at this location.

The developer provided project information, concept plans, budgets, proformas and financial plans that were reviewed and evaluated by this Feasibility Report. This development review is intended to provide a third-party, objective evaluation of market assumptions and development and operating proformas to inform public investment decision-making. This review also evaluates (TIF) projections and compares bondable tax revenues with the estimated funding gap. The review also evaluates the project's fiscal impact on the town to determine the maximum revenue sharing agreement possible. This study summarizes PDC's review and findings.

Andrew Arnold
Founder | Principal
Pioneer Development Company
Durango, Colorado

CC: Malcolm Fleming

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Executive Summary

Erie Town Center Phase 1 Feasibility Study

This report evaluated the Erie Town Center Phase 1 development project's feasibility. The feasibility study included a financial gap analysis, a revenue forecast, and a fiscal impact analysis. The feasibility study is intended to evaluate the project's need for a public private partnership and, if a funding gap is identified, estimate the revenue sharing agreements necessary to help close that gap. The study assumes that the Erie Town Center Urban Renewal Plan has been approved by Town Council, and that property and sales tax increment revenue sharing agreements are possible.

The proposed project is a commercial development located within ~20 acres of town-owned property. The Town and the developer, Evergreen Devco Inc, are currently negotiating the land sale for Phase 1 of the area. Phase 1 includes ~7 acres in the area's southeast quadrant, closest to the East County Line Road and Erie Parkway intersection. The project location is within the Town's adopted Planned Development Zone, "Erie Town Center PD". This zone mandates compact, walkable development based on new urbanist principles and form based codes. The PD requires significant public infrastructure upgrades, including new public roads and stormwater retention. The project area is also severely blighted, as determined by the Conditions Survey completed November 5th, 2024. The property is heavily undermined and will require significant mitigation to become activated. These extraordinary development costs are challenging the project's feasibility. Evergreen is requesting public funding assistance to help overcome these costs, while maintaining the community-desired design and bringing an anchor grocer to the site. The Town sees this project as catalytic for realizing the Erie Town Center Planned Development, and the commercial uses proposed in Phase 1 are necessary for activating development throughout the larger area.

This analysis specifically focuses on the project's feasibility. This study evaluates feasibility by first determining the financial gap that exists based on the development concept, budget, pro forma, and market and financial benchmarks. Once the financial gap is established, the study then performs a fiscal impact analysis on the Town of Erie. The developer is requesting funding assistance primarily through Tax Increment Financing, which would share property and sales tax revenue generated by the project with the project. The fiscal impact analysis determines the project's net fiscal impact on the Town over 25 years, and also models a hypothetical revenue sharing agreement where the fiscal impact is effectively neutral. These findings are used to model the development's tax revenue forecast. The assumptions within this forecast can be used by the project's underwriter to estimate bonding capacity. The bonds will be used to offset project expenses, and yield feasible outcomes. These analyses are then used to form a set of recommendations to advance the project's feasibility. The Study is organized into the following three sections:

- **Financial Gap Analysis** – The report evaluated the project's financials, benchmarking it to the market, and estimated the gap funding range required to make the project feasible.
- **Tax Revenue Forecast** – The report forecast the project's property and sales tax revenue generated over 25 years. This forecast was used to determine the gross and present value revenues generated by the proposed development. The revenues were then compared to the financial gap to determine project feasibility.

- **Fiscal Impact Analysis** – The report synthesized its analyses by performing a 25-year fiscal impact analysis. The project and its proposed tax sharing reimbursement agreement were analyzed each year for 25 years, estimating the annual cost-of-service to the Town of Erie generated by the development. The analysis produced a net fiscal impact on the Town of Erie. A positive fiscal impact indicates that the proposed project and revenue sharing agreement is a sound financial decision for the Town. This corresponds to a positive cost-benefit analysis.

Findings

The project will provide positive economic and fiscal benefits to the Town, developing an area that has been historically challenging to revitalize. The developer will mitigate undermining, extend public infrastructure and amenities throughout the site, and catalyze Phase 1 of the Erie Town Center PD. This development will feature an anchor grocer tenant, commercial office space, and restaurants. **The project's development costs are expected to exceed $40 million and will generate ~250 full-time equivalent jobs.** This report's findings are summarized below:

- **Feasibility (Financial Gap) Summary –** The Project has an estimated Feasibility Gap between **$19.5 million and $20.5 million**. The feasibility gap is based on the project's pro forma, conceptual development plan, market benchmarks, and return on investment criteria. This feasibility gap is created by significant horizontal infrastructure costs, undermining mitigation, and limited vertical development in Phase 1.

Feasibility (Financial Gap) Summary				
ROI Indicator	Market Target	GAP Funding Range[1]		
Estimated Gap (Stabilized Year)		***$19,500,000***	***$20,000,000***	***$20,500,000***
Return-on-Cost	**8.75% to 9.50%**	**8.39%**	**8.64%**	**8.89%**
IRR, Unlevered	**9.25% to 10.25%**	**9.47%**	**9.83%**	**10.21%**
NPV	**> $0**	**-$486,124**	**$986,124**	**$1,486,124**

- **Tax Revenue Forecast Summary –** To overcome the feasibility gap, this report recommends that the Town, TOEURA and the Developer pursue a tax increment sharing agreement, in combination with potential fee reimbursements. These incentive agreements should be combined with developer-imposed taxes (metro districts and add-on public improvement fees on sales and services). Combined, this public incentive package should equate to between $19.5 million and $20.5 million, a sum that falls within the project's required gap funding range. The project's property and sales taxes were projected from 2025 to 2050 and tabulated below.

[1] Gap Funding is applied to Construction Equity in this analysis. Gap Funding is assumed to be Present Value.

Erie Town Center - Tax Revenue Forecast			
Revenue Sharing Agreements	**Mill Levy/Rate %**	**Revenue Sharing %**	**URA Plan Mill/Rate**
Property Tax (All Entities)	**113.249**	**67%**	**75.376**
Sales Tax (Town Only)	**3.50%**	**92.9%**	**3.25%**

Erie Town Center Phase 1 – Tax Revenue Forecast Summary				
Property Tax Information				
Estimated Base Taxable Value	**$0**			
Total New Taxable Value	**$3,851,074**			
Total Net Taxable Value	**$3,851,074**			
URA Tax Increment Financing Estimates[2]	**Gross**	**Net Present Value[3]**	**Annual Average**	**Town of Erie**
Total	**$26,900,000**	**$9,900,000**	**$1,036,000**	**$807,000**
Property Tax (67% TIF Share)	$7,000,000	$2,600,000	$269,000	$40,000
Sales Tax (3.25% Rate, Inflation Adj.)	$19,900,000	$7,300,000	$767,000	$767,000
TOTAL PUBLIC FINANCE ESTIMATES	**Gross**	**Net Present Value**		
TOTAL	**$26,900,000**	**$9,900,000**		
Property Tax Increment	$7,000,000	$2,600,000		
Sales Tax Increment (Inflation Adj.)	$19,900,000	$7,300,000		
Public Finance Estimates	**$26,900,000**	**$9,900,000**		
GRAND TOTAL	**$26,900,000**	**$9,900,000**		

[2] Estimates have been rounded.
[3] Net Present Value Estimates are based on a 7.50% Discount Rate.

- **Fiscal Impact Analysis Summary –** The project is expected to generate **a positive net fiscal impact to the Town of Erie**, based on its development program and the proposed tax revenue sharing agreements. The report analyzed the project's net fiscal impact beginning in 2025 and ending in 2050. This period was selected based on the proposed Erie Town Center Urban Renewal Plan and its expected 25-year term. Assuming this Urban Renewal Plan is formed, and the proposed revenue sharing agreements committed to the project, the project will generate revenues that exceed its estimated annual Town service costs. This analysis estimates that the project's net fiscal impact to the Town is ~$451,000. After the terms of the incentive agreement sunset in 2050, the project's annual surplus revenue to the Town will exceed $859,000.

Erie Town Center – Fiscal Impact Analysis				
Annual Revenues		Annual Expenditures		Net
Year	**Estimate**	**Year**	**Estimate**	
2025	$0	2025	$0	$0
2026	$0	2026	$0	$0
2027	$53,251	2027	$44,265	$8,986
2028	$62,875	2028	$59,423	$3,452
2029	$62,875	2029	$59,240	$3,636
2030	$62,875	2030	$59,053	$3,822
2031	$62,875	2031	$58,863	$4,012
2032	$62,875	2032	$58,670	$4,205
2033	$62,875	2033	$58,474	$4,401
2034	$62,875	2034	$58,274	$4,601
2035	$62,875	2035	$58,071	$4,804
2036	$62,875	2036	$57,864	$5,011
2037	$62,875	2037	$57,653	$5,222
2038	$62,875	2038	$57,439	$5,436
2039	$62,875	2039	$57,221	$5,654
2040	$62,875	2040	$56,999	$5,876
2041	$62,875	2041	$56,773	$6,102
2042	$62,875	2042	$56,543	$6,332
2043	$62,875	2043	$56,309	$6,566
2044	$62,875	2044	$56,070	$6,805
2045	$62,875	2045	$55,828	$7,048
2046	$62,875	2046	$55,580	$7,295
2047	$62,875	2047	$55,328	$7,547
2048	$62,875	2048	$55,072	$7,803
2049	$62,875	2049	$54,811	$8,065
2050	$62,875	2050	$54,545	$8,331
Total Revenues	**$1,499,379**	**Total Expenditures**	**$1,358,367**	**$141,012**
2051 (Sunset)	**$908,318**	**2051 (Sunset)**	**$54,274**	**$854,045**

Recommendations

This study recommends the Town of Erie, TOEURA and its partner taxing entities establish the Erie Town Center Urban Renewal Plan and negotiate tax increment revenue sharing agreements with the developer. The development is simply not feasible without significant public funding and support. This study assumes that the Town, TOEURA and its partnering taxing entities are aligned in facilitating the Erie Town Center Planned Development vision and appreciate the importance this development holds in catalyzing the broader PD plan.

The development's feasibility is jeopardized for a variety of reasons. The site exhibits significant blighting factors, including severe undermining hazards. The grocery anchor, while a high priority publicly, is a loss-leader for the developer. Regulatory controls limit the development's uses and density, creating a scenario where the horizontal infrastructure costs exceed vertical construction costs. This unusual combination contributes to the large funding gap, and the need for a significant public private partnership between the project, Town, and TOEURA.

Tax Increment Financing alone will not close the project's feasibility gap, however. It is necessary that the Developer and the Town work together on additional funding sources to help close the estimated $19.5 to $20.5 million feasibility gap. This study estimates that property and sales tax increment shared at the proposed levels would reduce the funding gap by ~50%. The remaining 50% will need to be overcome with alternative public finance sources. These additional revenue sources should include "self-taxing" strategies, such as metropolitan districts, business improvement districts, and add-on public improvement fees (both on sales and services). The Town should also consider one-time fee reimbursements and potentially assisting in the undermining mitigation or public street improvements.

The Study does not recommend extending these proposed revenue sharing agreements to future phases of the project, even if they occur within the proposed Urban Renewal Plan area. Incremental taxable value generated by future phases should be remitted to the Town and TOEURA's participating taxing entities. Land sales within future phases should also be carefully considered by the Town to ensure it is receiving an adequate return on investment relative to the property's original purchase price.

This study recommends the following:

- The Town of Erie establishes the Erie Town Center Urban Renewal Plan.
- TOEURA negotiates property tax increment revenue sharing agreements with participating taxing entities. The study recommends that at least 67% of the project's overlapping millage rate be pledged to the project for 25 years.
- The Town of Erie and TOEURA enter into a sales tax increment revenue sharing agreement with the developer. This agreement should pledge no more than 92.9% of the increment generated at the Town's 3.50% rate to the project. This is an effective incremental sales tax rate of 3.25%. The remaining 0.25% of the Town Sales Tax will be remitted to the Town by TOEURA until the Urban Renewal Plan sunsets.

The following sections provide more detail on the Study's findings and recommendations.

Background

Scope of the Review

To evaluate the proposed project's feasibility and public financing needs, PDC reviewed and provided independent research regarding the following assumptions:

- Independent verification for market assumptions presented in the development proposal,
- Construction costs estimate verification,
- Financial gap analysis,
- Market verification on commercial construction loan rates and terms,
- Comparison with market rate investment criteria and yield indicators,
- Assessed Value appraisal and tax estimates,
- Fiscal Impact Analysis,
- Potential impacts from current economic uncertainty.

Methodology

The Developer provided detailed conceptual designs, budgets, and development and operating pro forma. The Developer also allowed PDC to interview the development team and interrogate assumptions within their pro forma. This information helped inform this Report's analysis.

The Reviewers conducted independent research into market conditions and development costs to establish a market baseline for evaluating this Project's feasibility. The development costs were independently verified to determine their reasonableness. Projected revenues, including commercial leases, were contrasted with comparable properties throughout the local and regional market. The same method was used to compare the project's expenses, including commercial operating expenses, absorption, lease-turnover, vacancy, and financial terms to local market realities. Once these assumptions were evaluated, the Reviewers performed a sensitivity analysis on a range of gap funding scenarios. These potential financial gaps were estimated by the Reviewers through an independent rate of return analysis targeting market-based investment expectations. The Reviewers then estimated the development's future property and sales tax revenue using similar assumptions. The tax revenue forecast was then compared to the gap funding analysis to identify the optimal range for revenue sharing. Finally, the reviewers conducted a fiscal impact analysis to estimate Erie's cost of serving this development. The revenue sharing agreement necessary for making the development feasible was applied to the fiscal impact analysis to estimate the net fiscal impact the revenue sharing agreement and development would have on the municipality over a fixed period (25 years).

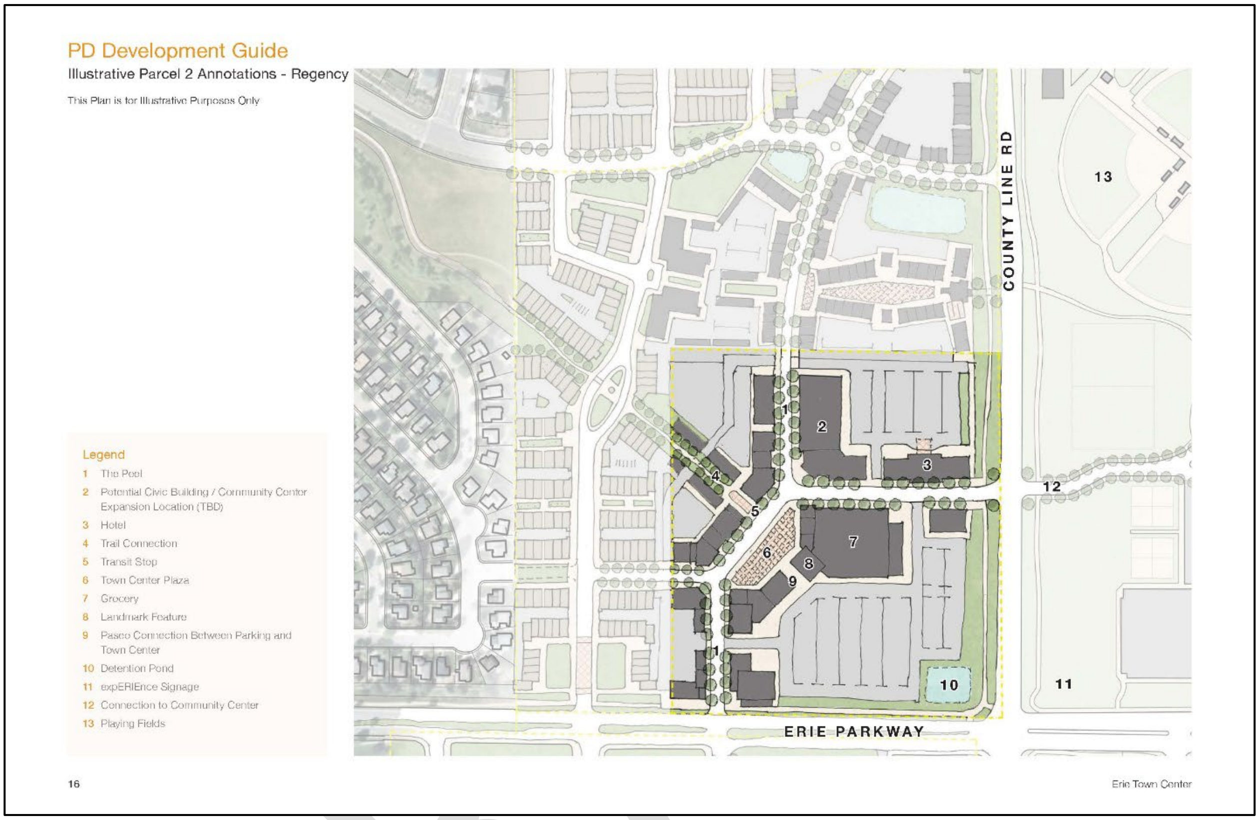
Project Basis

Proposed Development Project – Erie Town Center Phase 1	
Boulder County Parcels	146524110001
Property Owner (Per Assessor)	Town of Erie
Situs	N/A
Current Actual Value	**$3,361,034**
Use Description	**Tax Exempt**

- The site is ~ 20.31 acres located within the Town of Erie's Town Center Planned Development Zone. The proposed development encompasses ~7 acres in the parcel's southeast quadrant, closest to the East County Line Road and Erie Parkway intersection. The site is within the Town of Erie's municipal limits.
- The Town of Erie purchased this parcel in 2022 for $4,000,000. The property was considered underutilized and development complicated by undermining.
- The property is impacted by mine subsidence hazards, caused by the now abandoned Garfield No. 1 Coal Mine. According to a 2022 Lithos Engineering Study, 70% of the property is undermined with ~30% falling within high to severe subsidence hazard zones. The proposed Phase 1 development largely encompasses these zones.
- The Erie Town Center Phase 1 Project will mitigate the subsidence hazard, extend public infrastructure throughout the site, and develop a commercial development in alignment with the Towns PD.
- The development will feature an anchor grocery store, two commercial retail buildings, and two multi-tenant office/service buildings. Total commercial equals ~41,715 square feet.
- The development will construct two public streets, Pinnacle and Town Center, in addition to stormwater retention and off-site Erie Parkway and East County Line Road Improvements.
- The reviewers evaluated this project on a real estate basis. The business' profit and loss, operational expenses, and operational costs are not considered part of the Gap Funding analysis. This development is assumed to be a for-lease product.
- The two retail commercial pads are assumed to be sold during the construction phase. These proceeds lower the project's total construction costs evaluated by this Study.
- The Reviewers estimated the development's incremental tax revenues based on Erie's current millage rate, the current tax area overlapping millage rate and the town's current sales tax rate.
- The Reviewers estimated the development's fiscal impact based on the Town of Erie's 2025 budget and state demographer growth rates for both population and employment. The fiscal impact analysis assumes that the Town, TOEURA, taxing entities that levy an ad valorem property tax within the area and the Developer have agreed to an incremental property and sales tax revenue sharing agreement lasting 25-years after the Town Center Urban Renewal Plan has been established.

Development Assumptions

Erie Town Center Phase 1 Conceptual Development



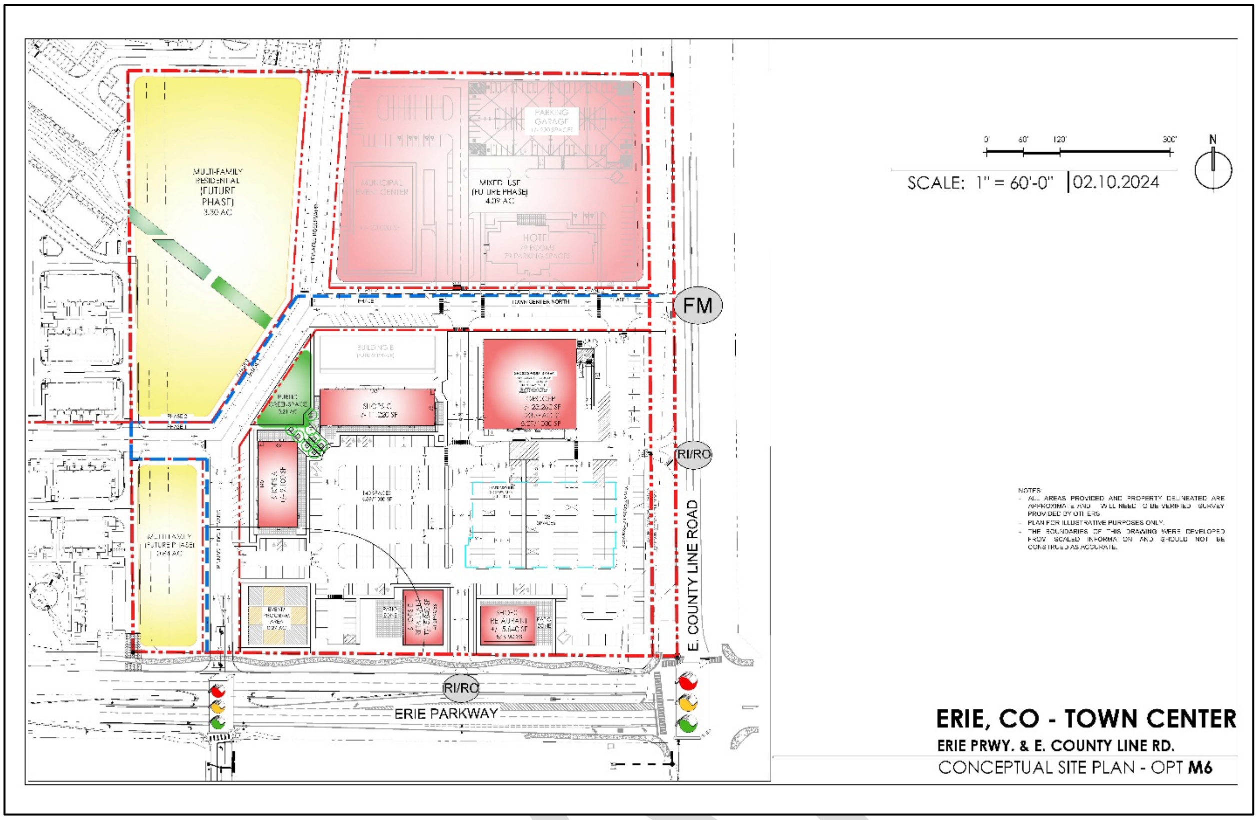
Conceptual Development Plan and Assumptions

Erie Town Center Phase 1 (The Project) is a commercial development being proposed within the Town of Erie. The project is located at the intersection of East County Line Road and Erie Parkway within a ~20-acre Town Owned property. The development team is led by Evergreen Devco Inc, an experienced developer within Colorado. Evergreen has proposed a conceptual development plan divided into two phases. Only Phase 1 is evaluated by this study.

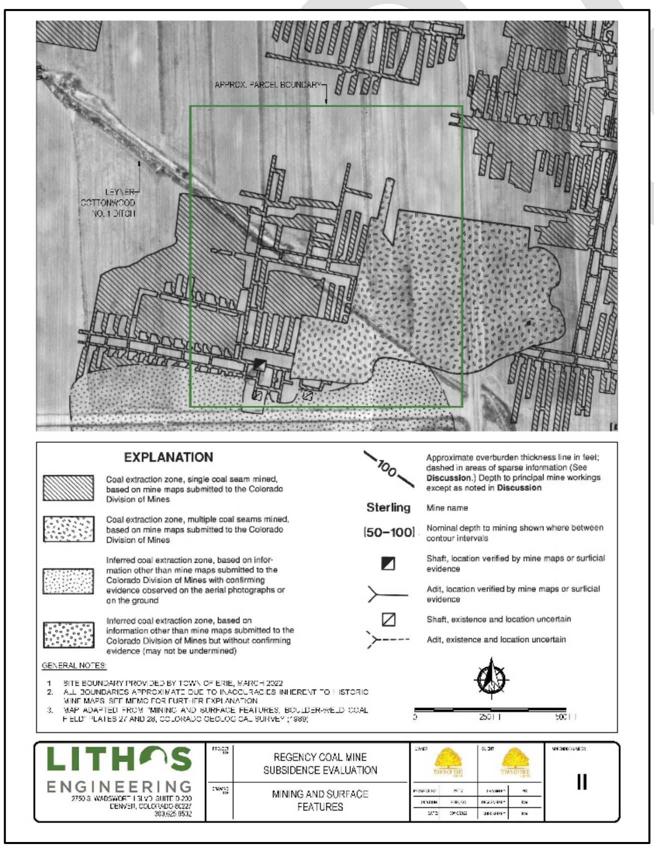
Phase 1 includes ~7.0 acres and will construct 55,262 square feet of commercial space. Phase 1 is considered a catalyst for the Erie Town Center Planned Development zone and will help mitigate major undermining and subsidence hazards. This mitigation, coupled with infrastructure extensions, should serve to activate future development phases within the Town's PD.

The proposed commercial space includes an anchor Grocery Store (23,262 SF), two restaurants (11,680 SF) and two multi-tenant buildings (20,320) intended to serve as office/service space. Evergreen is expected to sell the commercial pads for the restaurant uses and construct the grocer and multi-tenant buildings. Evergreen will then hold these properties and collect lease payments. The feasibility study evaluates return on investment metrics based on the vertical improvement held by Evergreen. The horizontal infrastructure construction is expected to commence immediately, with vertical improvements being completed from 2027 to 2028.

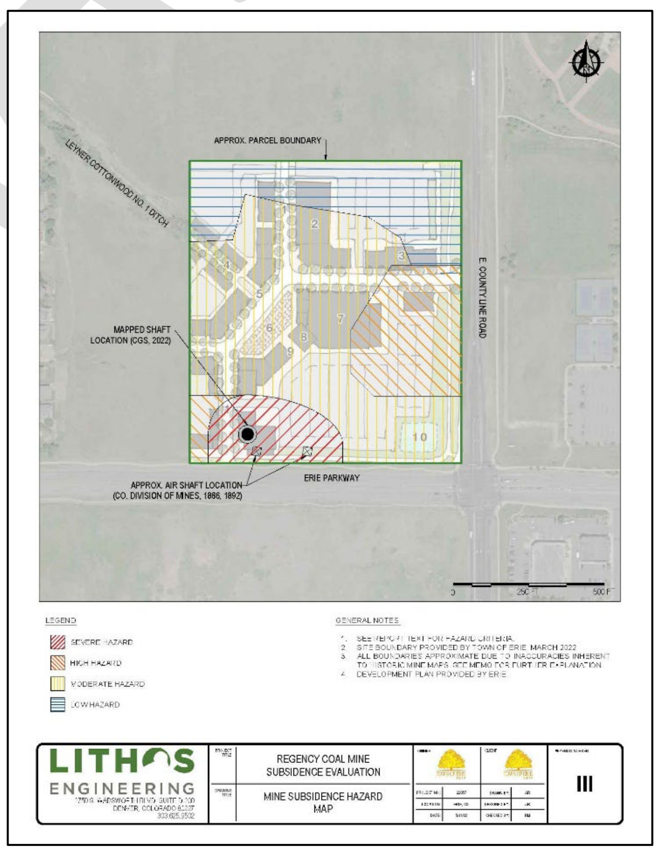
(See Concept Plan and rendering below):



SCALE: 1" = 60'-0" 02.10.2024
N
MULTI-FAMILY RESIDENTIAL (FUTURE PHASE) 3.50 AC
MIXED USE (FUTURE PHASE)
FM
RI/RO
E. COUNTY LINE ROAD
ERIE PARKWAY
ERIE, CO - TOWN CENTER
ERIE PRWY. & E. COUNTY LINE RD.
CONCEPTUAL SITE PLAN - OPT M6



APPROX. PARCEL BOUNDARY
EXPLANATION
Coal extraction zone, single coal seam mined, based on mine maps submitted to the Colorado Division of Mines
Coal extraction zone, multiple coal seams mined, based on mine maps submitted to the Colorado Division of Mines
Inferred coal extraction zone, based on information other than mine maps submitted to the Colorado Division of Mines with confirming evidence observed on the aerial photographs or on the ground
Inferred coal extraction zone, based on information other than mine maps submitted to the Colorado Division of Mines but without confirming evidence (may not be undermined)
Approximate overburden thickness line in feet; dashed in areas of sparse information (See Discussion.) Depth to principal mine workings except as noted in Discussion
Sterling
Mine name
[50–100]
Nominal depth to mining shown where between contour intervals
Shaft, location verified by mine maps or surficial evidence
Adit, location verified by mine maps or surficial evidence
Shaft, existence and location uncertain
Adit, existence and location uncertain
GENERAL NOTES:
LITHOS ENGINEERING
REGENCY COAL MINE SUBSIDENCE EVALUATION
MINING AND SURFACE FEATURES
II



APPROX. PARCEL BOUNDARY
E. COUNTY LINE ROAD
MAPPED SHAFT LOCATION (CGS, 2022)
APPROX. AIR SHAFT LOCATION (CO. DIVISION OF MINES, 1886, 1892)
ERIE PARKWAY
LEGEND
SEVERE HAZARD
HIGH HAZARD
MODERATE HAZARD
LOW HAZARD
GENERAL NOTES
LITHOS ENGINEERING
REGENCY COAL MINE SUBSIDENCE EVALUATION
MINE SUBSIDENCE HAZARD MAP
III

Feasibility Gap Assumptions

Development Program

The Reviewers have evaluated this proposed development from the perspective of an open market. This analysis assumes that the proposed grocer and multi-tenant buildings are being developed as a for-lease product. Commercial pad sales are applied to the project's construction costs. The following chart compares the as-proposed development proforma assumptions with PDC's market-derived assumptions.

Assumptions	As Proposed	Market Estimate	Comments
Use Type			
Residential Units	0	-	No Residential is being proposed.
Commercial Retail	23,262 SF	-	The Reviewers assume that commercial space will be leased to maximize NOI. Commercial leases are assumed NNN. Commercial Retail Space only includes the Grocer, as the restaurant pads are expected to be sold during construction. Commercial office space includes the Multi-Tenant Buildings.
Commercial Office	20,320 SF	-	
Commercial Component			
Commercial Retail Leasing Rates Per Square Foot	$29.00 psf	$25.00 psf	Evergreen is expected to construct and own the Grocery Store building as part of this development. Evergreen provided preliminary lease rates for this space. PDC analyzed comparable retailers throughout the regional area. The market analysis found that Evergreen's proposed lease rates are higher than current market lease rates, especially those featuring larger properties. Newer neighborhood commercial retail properties command lease rates range between $23-$25 PSF NNN. However, Evergreen's arrangement with the Grocer may be able to justify higher rents. In fact, Erie's commercial retail rents are trending towards that of the Boulder market, suggesting that the developer's assumed lease rate is reasonable, albeit higher than the market. Given these factors, the reviewers estimate that this property would command an asking rent of $29 PSF NNN. Reviewer's estimate is based on a comparison of commercial retail space leases and expenses in the market area. Assumes NNN leases.
Commercial Retail Operating Expenses	$N/A	$11.00 psf	Denver Metro area average operating expenses for commercial retail properties were used by the reviewers.
Commercial Office Leasing Rates Per Square Foot	$40.00 psf	$34.50 psf	Evergreen is expected to construct and own the multi-tenant buildings as part of this development. The multi-tenant buildings are expected to be used as office space, including medical offices and professional services. Evergreen provided preliminary lease rates for this space. PDC analyzed comparable multi-tenant office buildings throughout the regional area. The market analysis

			found that Evergreen's proposed lease rates are aligned with Boulder County averages, but higher than existing comps within Erie and within a 15-minute drive radius around the site. Boulder County's office leases of comparable properties average $40.34 PSF NNN. Erie's office space market, by comparison, averages $23.48 PSF NNN. The Reviewers' assume that this newer development can command lease rates similar to those within Boulder County but currently outside the Erie market area. Given these factors, the reviewers accept the developer's estimate that this property would command an asking rent of $40.00 PSF NNN. Assumes NNN leases.
Commercial Office Operating Expenses	$N/A	$11.00 psf	Denver Metro area average operating expenses for commercial office properties were used by the reviewers.
Financing Component			
Debt			
Loan: Cost Ratio	65%	55% - 70%	The developer provided construction loan financing information as part of their pro forma and interviews. Permanent loan financing was not provided. Reviewers' assumptions are based on comparable commercial developments within the market area.
Interest Rate	7.50%	7.50%	
Amortization	N/A	20-30 Years	
Capitalization Rates			
Stabilized – Retail	N/A	6.75%	Economic and market conditions in Denver Metro and Boulder submarkets outperform national and west region averages by ~25 basis points. Retail cap rates, especially for food service tenants, are forecast to remain stable in the coming years. Office cap rates are beginning to see signs of compression, although they remain higher in the local market area. The going-in (stabilized) cap rate used in this Review reflects these market expectations. Typically, exit cap rates (at asset liquidation) are 50 to 150 basis points higher than going-in rates. The reviewers used a 75-basis point increase for liquidated capitalization rates.
Liquidated – Retail	N/A	7.50%	
Stabilized – Office	N/A	7.50%	
Liquidated – Office	N/A	8.25%	
Return on Investment Metrics			
Target Yield			Market-based target yield rates are used to estimate the financial gap. These yield rates represent a blended return based on market surveys for retail office commercial property investments. The NPV is calculated using the blended pre-tax yield rate. This is the rate of interest that discounts pre-tax cash flows received on an unlevered investment back to a present value that is exactly equal to the original equity investment. Return on Cost, or yield on cost, is based on current capitalization rates and development spreads for specific uses.
Yield Rate (IRR, Unlevered)	n/a	9.25% to 10.25%	
Return on Cost	n/a	8.75% to 9.50%	
Net Present Value	n/a	> 0	

Development Cost			
Land Purchase Cost	$0	$0	The Reviewers assume that the Town has agreed to convey the land required for Phase 1 to the developer. Land outside Phase 1 is not considered by this analysis.
Public Infrastructure Cost	$7,646,348	$7,646,348	The Reviewers assume the developer's public infrastructure costs are accurate. Reviewer's interviewed development team and reviewed cost estimations. Public infrastructure costs include new public streets (Town Center and Pinnacle) and off-site stormwater and roadway improvement to East County Line Road and Erie Parkway. Reviewer's also interviewed Erie Four Corners developers to confirm and check cost estimates. Cost also included undergrounding major irrigation ditch running through site. Costs include 15% contingency.
Mine Mitigation Costs	$4,443,011	$4,443,011	Mine mitigation costs were provided by developer and their engineering consultants. A Phase II environmental study performed by Lithos Engineering originally estimated mitigation costs at $400,000 per acre. Phase 1's mine mitigation costs equate to ~$635,000 per acre. Reviewers accept this increase as reasonable given Phase 1's location over the high to severely impacted mine subsidence zones on the property.
Site Work	$7,788,135	$7,788,135	Reviewers interviewed development team regarding site work costs. Confirmed that off-site and public infrastructure costs were not double counted. Site work costs appear high, but are validated by engineering estimates. Reviewers find these costs reasonable.
Soft and Hard Cost	$20,805,171	$19,000,000	Reviewers used cost approximation tables and construction cost indexes to evaluate the development's soft and hard costs. Building improvement costs provided by the developer were lower than reviewers approximations. Soft costs, however, were higher than typical approximations. This may be due to higher raw water and tap fees, in addition to the Town's impact fees. Financing cost were reasonable.
Development Cost	**$40,682,665**	**$38,877,494**	The Reviewer's estimated development cost is based on the project concept as understood by the Reviewer using cost guide approximations. The Developer's estimated development costs are heavily impacted by horizontal infrastructure costs, mine mitigation costs, off-site road and stormwater improvements, undergrounding a large irrigation ditch, and relatively high water, sewer and impact fees. The Reviewer's cost estimate is within 10% of the Developer's cost estimate, meaning that these costs are deemed reasonable.
Land Sales	**$3,281,775**	**$3,281,775**	Evergreen provided land sales estimates based on a $40 PSF price for two commercial pads. These pads will feature additional commercial retail uses not considered by this study. Reviewers found these pad sales higher than market averages (Comparable properties recently sold pads at ~$25 PSF). The developer's estimate was applied to the total development cost when evaluating the project's feasibility.

1. Source: CoStar, IRR, RERC; Realtyrates.com; RS Means; Zillow; CBRE; DMCAR; NAR, Commercial Real Estate Finance Co. of America, CommercialLoanDirect.com, Integra Realty Resources, Hoyt Advisory Services; NMHC/NAA; U.S. Census Bureau; RealPage, fixr.com, Statista: Denver, Fannie Mae, EV Studio, ARGUS College, Pioneer Development Company.

Estimated Feasibility Gap

Based on investor surveys and market data reviewed by PDC, the following target rates are used to proxy investment hurdle rates of return. In other words, it is assumed the cash flow projections must yield rates within the following ranges to be considered attractive to the market. Return-on-Investment (ROI) estimates are based upon stabilization in 2028, designated as Year 3 of the Proforma.

ROI Indicator	Description	Market Target
Return-on-Cost	Net Operating Income at Stabilization before debt service as % of Project Cost	8.75% to 9.50%
Internal Rate of Return (IRR, unleveraged, Pre-Tax Yield)	Annual revenue and asset sale over 10 years as return on development costs.	8.75% to 10.25%
Net Present Value (NPV)	Sum of Present Value Future Cash Flows, discounted at the appropriate Market Rate, less the initial Cash Outlay.	> $0

The following Gap Funding range analysis illustrates the application of total GAP funding against construction cost (minus land sales) during the 1st year of construction:

Feasibility (Financial Gap) Summary				
ROI Indicator	Market Target	GAP Funding Range[4]		
Estimated Gap (Stabilized Year)		***$19,500,000***	***$20,000,000***	***$20,500,000***
Return-on-Cost	**8.75% to 9.50%**	**8.39%**	**8.64%**	**8.89%**
IRR, Unlevered	**9.25% to 10.25%**	**9.47%**	**9.83%**	**10.21%**
NPV	**> $0**	**-$486,124**	**$986,124**	**$1,486,124**

The development project as proposed indicates a **financial gap between $19.5 million and $20.5 million.** The gap funding range analysis reveals that the project will begin to achieve market target rates for "return-on-cost", unleveraged IRR and Net Present Value with **$19.5 in gap funding.**

To achieve market target rates, this Gap Funding estimate is assumed to be applied to construction equity. The funding, therefore, is estimated as **a net present value of between $19.5 million and $20.5 million. This review estimates that the project will achieve target market hurdle rates at this level of public funding. Public funding can be a combination of Tax Increment Financing, cost-sharing, land equity, fee reimbursements, and add-on public improvement fees or metropolitan district mills.**

[4] Gap Funding is applied to Construction Equity in this analysis. Gap Funding is assumed to be Present Value.

Tax Increment Financing Forecast

Tax Revenue Forecast Summary

The development as proposed requires approximately $19.5 million to $20.5 million in gap funding to achieve financial feasibility based on market benchmarks and current investment metrics. The developer has requested public financing assistance in the form of tax increment financing. Tax increment financing can be achieved only if the Town of Erie and its partnering taxing entities agreement to establish the Erie Town Center Urban Renewal Plan. This section forecasts the project's incremental tax revenues to determine the present value an Urban Renewal Plan brings to the project. This present value is a proxy for bonding capacity and can be compared to the funding gap to evaluate project feasibility.

This report analyzed the project's incremental property and sales tax revenues. This tax revenue forecast is based on specific revenue sharing assumptions. These assumptions are tabulated below:

Erie Town Center - Tax Revenue Forecast			
Revenue Sharing Agreements	**Mill Levy/Rate %**	**Revenue Sharing %**	**URA Plan Mill/Rate**
Property Tax (All Entities)	**113.249**	**67%**	**75.376**
Sales Tax (Town Only)	**3.50%**	**92.9%**	**3.25%**

The report assumes that the revenue sharing agreements listed in the table have been negotiated and accepted by the Town, TOEURA, its partnering taxing entities and the developer. The assumption is that the Erie Town Center Urban Renewal Plan can retain incremental sales and property taxes at the listed rates for a period of 25 years. All incremental revenue is then assumed to be pledged to a metropolitan district (or similar special improvement district) and be spent on public infrastructure and blight mitigation. The revenue sharing assumptions are based on the Study's Fiscal Impact Analysis, and typical property tax sharing agreement throughout the market area within similar Urban Renewal Plans. These estimates are included in the following table. Property tax and sales tax rates are discussed in more detail in the following sections:

Erie Town Center Phase 1 – Tax Revenue Forecast Summary				
Property Tax Information				
Estimated Base Taxable Value	**$0**			
Total New Taxable Value	**$3,851,074**			
Total Net Taxable Value	**$3,851,074**			
URA Tax Increment Financing Estimates[5]	**Gross**	**Net Present Value**[6]	**Annual Average**	**Town of Erie**
Total	**$26,900,000**	**$9,900,000**	**$1,036,000**	**$807,000**
Property Tax (67% TIF Share)	$7,000,000	$2,600,000	$269,000	$40,000
Sales Tax (3.25% Rate, Inflation Adj.)	$19,900,000	$7,300,000	$767,000	$767,000
TOTAL PUBLIC FINANCE ESTIMATES	**Gross**	**Net Present Value**		
TOTAL	**$26,900,000**	**$9,900,000**		
Property Tax Increment	$7,000,000	$2,600,000		
Sales Tax Increment (Inflation Adj.)	$19,900,000	$7,300,000		
Public Finance Estimates	**$26,900,000**	**$9,900,000**		
GRAND TOTAL	**$26,900,000**	**$9,900,000**		

The Erie Town Center Phase 1 project is estimated to generate $7 million in property taxes and $19.9 million in sales taxes from 2025 to 2050. When discounted back at an appropriate discount rate (7.50%) this amount equates to a Net Present Value of $2.60 million in property tax revenue and $7.30 million in sales tax revenue.

The revenue forecast, based on the assumed revenue sharing agreements, **can effectively offset the project's feasibility gap by ~50%.** Additional public funding strategies will need to be leveraged to close the project's remaining 50% funding gap. These strategies should include developer-imposed taxes and fees, such as a Metro District, BID or Add-On Public Improvement Fee. The strategy could also extend to the Town reimbursing public infrastructure costs, undermining mitigation costs, or fees. A final strategy could include altering the development program to increase Phase 1's taxable value or retail sales tax producing space.

[5] Estimates have been rounded.
[6] Net Present Value Estimates are based on a 7.50% Discount Rate.

Sales Tax Forecast Analysis

Sales tax generated by Erie Town Center Phase 1 is based on a sales per square foot assumption for specific uses. These uses include two restaurants (which are expected to be constructed separately on the sold commercial pads. However, their incremental sales tax can be captured by the proposed Urban Renewal Plan.) PDC worked with the Development team to evaluate a comparable sales per square foot estimates. This analysis identified a sales per square foot estimate of $660 Phase 1. This analysis is included in the table below:

Commercial Retail Use	Square Feet	Annual Sales	Sales Per SF	Non-Taxable Sales	Net New Sales	Total Estimated Retail Sales	Adjusted Sale Per SF
Restaurant 1	5,840	$3,942,000	$650	5%	95%	$3,557,655	$609.19
Restaurant 2	5,840	$3,942,000	$650	5%	95%	$3,557,655	$609.19
Grocer	23,262	$17,679,120	$760	5%	95%	$15,955,406	$685.90

Property Tax Forecast

The study assumes that the Town, TOEURA, and its participating taxing entities will negotiate a revenue sharing agreement that mirrors the table below. The project is within tax area 1392. The study assumes that only 67% of the tax area's millage rate will be eligible for tax increment financing.

Tax District Name	2024 Mill Levy	TIF Agreement	TIF Eligible Mill Levy
HIGH PLAINS LIBRARY DISTRICT	3.196	100%	3.196
TOWN OF ERIE - GENERAL OPERATIONS	7.288	100%	7.288
TOWN OF ERIE - BOND REDEMPTION	2.093	0%	0.000
TOWN OF ERIE - CAPITAL EXPENDITURES	4.000	100%	4.000
MOUNTAIN VIEW FIRE PROTECTION DISTRICT	16.247	100%	16.247
URBAN DRAINAGE AND FLOOD CONTROL	0.900	0%	0.000
NORTHERN COLORADO WATER (NCW)	1.000	0%	0.000
SCHOOL DIST RE1J-LONGMONT (SFA)	27.000	100%	27.000
SCHOOL DIST RE1J-LONGMONT (MLO)	13.238	0%	0.000
SCHOOL DIST RE1J-LONGMONT (BOND)	16.728	0%	0.000
SCHOOL DIST RE1J-LONGMONT (ABATEMENT)	0.272	0%	0.000
BOULDER COUNTY - GENERAL OPERATIONS	17.645	100%	17.645
BOULDER COUNTY - ROADS AND BRIDGES	0.159	0%	0.000
BOULDER COUNTY - PUBLIC WELFARE	0.837	0%	0.000
BOULDER COUNTY - DEVELOPMENT DISABILITY	0.856	0%	0.000
BOULDER COUNTY - CAPITAL EXPENDITURE	0.419	0%	0.000
BOULDER COUNTY - REFUND ABATEMENT	0.072	0%	0.000
BOULDER COUNTY - HEALTH AND HUMAN SERVICES	0.500	0%	0.000
BOULDER COUNTY - TEMP HS SAFETY	0.799	0%	0.000
	113.249	**67%**	**75.376**

Fiscal Impact Analysis

The Erie Town Center Phase 1 Cost of Service Study:

Tax Increment Financing Impact Analysis

The Cost-of-Service Study has been designed to evaluate the Project's net fiscal impact on the Town of Erie over a 25-year period based on the assumed incremental property and sales tax sharing agreements. The proposed development has exhibited a feasibility (funding gap) between $19.5 million and $20.5 million. This Study analyzed the development's impact on the Town of Erie assuming that the Town Center Urban Renewal Plan has been established and both a property and sales tax increment reimbursement agreement has been negotiated.

The Cost-of-Service analysis applied this revenue sharing agreement to forecast the Project's net fiscal impact on the Town of Erie over the Urban Renewal Plan 25-year horizon. The following table outlines the Project's proposed revenue sharing agreement:

Erie Town Center Phase 1 Cost of Service - Direct Revenue Assumptions (2025 to 2050)			
Revenue Sharing Agreements	**Erie Mill Levy/Rate %**	**Revenue Sharing %**	**URA Plan Mill/Rate**
Property Tax	**7.29**	**100%**	**7.29**
Sales Tax	**3.50%**	**92.9%**	**3.25%**

Evaluating the Project's Net Fiscal Impact

The Cost-of-Service study applied this revenue sharing agreement to forecast the Project's net fiscal impact on the Town of Erie between 2025 and 2050. A fiscal impact analysis is defined as "a projection of the direct, current, public costs and revenues associated with residential and non-residential growth to the local jurisdiction in which this growth is taking place."[7]

The analysis forecast the Project's future growth, value, and taxes and proportionally assigns this growth a cost based on the Town's 2025 budget. The Town's growth, its demographics, revenues, and expenditures are also forecast in parallel with the Project. The analysis quantifies the Project's annual revenues and expenditures and estimates its net fiscal impact on the Town. This analysis is performed each year the revenue sharing agreement is in effect, for 25 years. The aggregated result is the Project's total net fiscal impact on the Town of Erie. The analysis also illustrates the project's fiscal impact on the Town once the revenue sharing agreement sunsets, although this is not included in the report's fiscal impact calculations.

The results of this analysis are tabulated below. The fiscal impact timeline is also illustrated in the following table and graphs:

[7] "The Fiscal Impact Handbook", Burchell and Listokin 1978.

Erie Town Center Phase 1 - Fiscal Impact Summary			
Revenues	**Total**	**Expenditures**	**Total**
Property Taxes	$0	General Fund	$1,358,367
Sales Taxes	$1,499,379		
Other General Fund Revenues	$0		
Total	**$1,499,379**	**Total**	**$1,358,367**

Erie Town Center – Annual Net Fiscal Impact Analysis				
Annual Revenues		**Annual Expenditures**		**Net**
Year	**Estimate**	**Year**	**Estimate**	
2025	$0	2025	$0	$0
2026	$0	2026	$0	$0
2027	$53,251	2027	$44,265	$8,986
2028	$62,875	2028	$59,423	$3,452
2029	$62,875	2029	$59,240	$3,636
2030	$62,875	2030	$59,053	$3,822
2031	$62,875	2031	$58,863	$4,012
2032	$62,875	2032	$58,670	$4,205
2033	$62,875	2033	$58,474	$4,401
2034	$62,875	2034	$58,274	$4,601
2035	$62,875	2035	$58,071	$4,804
2036	$62,875	2036	$57,864	$5,011
2037	$62,875	2037	$57,653	$5,222
2038	$62,875	2038	$57,439	$5,436
2039	$62,875	2039	$57,221	$5,654
2040	$62,875	2040	$56,999	$5,876
2041	$62,875	2041	$56,773	$6,102
2042	$62,875	2042	$56,543	$6,332
2043	$62,875	2043	$56,309	$6,566
2044	$62,875	2044	$56,070	$6,805
2045	$62,875	2045	$55,828	$7,048
2046	$62,875	2046	$55,580	$7,295
2047	$62,875	2047	$55,328	$7,547
2048	$62,875	2048	$55,072	$7,803
2049	$62,875	2049	$54,811	$8,065
2050	$62,875	2050	$54,545	$8,331
Total Revenues	**$1,499,379**	**Total Expenditures**	**$1,358,367**	**$141,012**
2051 (Sunset)	**$908,318**	**2051 (Sunset)**	**$54,274**	**$854,045**

Cost of Service Study Conclusion

The Study found that the Erie Town Center Phase 1 development and its proposed revenue sharing agreement will generate a positive fiscal impact from 2025 to 2050 (the Urban Renewal Plan's term). The total revenues generated (excluding incremental revenues pledged to the Urban Renewal Plan) over this time are estimated at $1,499,379. The total expenditures generated are estimated $1,358,367. These estimates account for the proposed revenue sharing agreements. The Project's fiscal impact results in a net surplus of $141,012 to the Town of Erie from 2025 to 2050. This surplus is minimal and can be interpreted as the breakeven point for the Town. If the Town were to agree to these proposed revenue sharing agreements, the project's limited sales tax revenue would pay for its estimated cost of services.

In summary, this Study recommends that the Town of Erie support the proposed revenue sharing agreement. The fiscal impact analysis indicates a positive cost-benefit for the Town, meaning that the development will not yield negative fiscal impacts even after the revenue sharing agreements. The project's feasibility depends largely on the Urban Renewal Plan and an aggressive TIF sharing agreement with the Town.

Methodology

Cost-of-Service Study Approach and Analysis

The Cost-of-Service Study presents a fiscal impact analysis on the Erie Town Center Phase 1 development (Project) and its proposed tax increment revenue sharing agreements. A fiscal impact analysis is defined as "a projection of the direct, current, public costs and revenues associated with residential and non-residential growth to the local jurisdiction in which this growth is taking place."[8] This study projects the public costs and revenues associated with the Project on the Town of Erie. This study only considers **direct impacts** in its analysis. **Direct impacts include taxes generated by the project and primary costs associated with that project's growth.** For example, population and employment changes created by the Project are direct impacts. Indirect impacts or induced impacts, common economic impact measurements, are not considered in this Study.

Traditionally, a fiscal impact analysis would evaluate a proposed development by estimating its direct revenues and costs based on a municipality's current budget and tax structure. However, this study evaluates a Project imbedded within a public private partnership. More specifically, this study evaluates the proposed development assuming a tax revenue sharing agreement has been negotiated. This study assumes that an Urban Renewal Plan has been established, and property tax increment and sales tax increment revenue sharing agreements have been negotiated. The combined incentive agreement will help make the project financially feasible.

This Study analyzes the Project's fiscal impact on the Town of Erie over the Plan's 25-year period and assumes that tax revenues will be allocated according to the proposed revenue sharing agreement. The revenue sharing agreement modeled by this study is tabulated below:

Erie Town Center Phase 1 Cost of Service - Direct Revenue Assumptions (2025 to 2050)			
Revenue Sharing Agreements	**Erie Mill Levy/Rate %**	**Revenue Sharing %**	**URA Plan Mill/Rate**
Property Tax	**7.29**	**100%**	**7.29**
Sales Tax	**3.50%**	**92.9%**	**3.25%**

Per Capita and Case Study Method

The Cost-of-Service study analyzes the Project's fiscal impacts using two methodologies, a Per Capita Multiplier methodology and a Case Study methodology. The Per Capita Multiplier methodology estimates the Town's current revenues and expenditures on a per capita basis. The Per Capita estimate represents the Town's total service population, which combines the Town's current population with a proportion of its non-resident workforce. The non-resident workforce proportion represents an equivalent full-time resident population. This analysis assumes a 50% proportion factor for the project's non-resident workforce.

[8] "The Fiscal Impact Handbook", Burchell and Listokin 1978.

Together, these two populations form the Per Capita estimate. The Per Capita estimate is then compared to the Town's budget, where budgeted revenues and expenditures are assigned a per capita value.

The Project's total service population is then estimated and, using the Per Capita values, its recurring revenues and expenditures are evaluated. The Per Capita Multiplier methodology only considers revenues and expenditures that exhibit a nexus with population and employment growth. This nexus may exhibit elasticity, for example, staffing costs exhibit more elasticity to Per Capita growth than equipment purchases. Although both expenditures are likely to increase with Per Capita growth, the demand placed on Town staff is more linear and less punctuated than the demand placed on equipment. These differences are captured by this report using an Elasticity Percentage for each budgeted revenue and expenditure line item.

The Per Capita Multiplier methodology is combined with a Case Study methodology. PDC applied previous Fiscal Impact Analyses to this analysis to assume the level of impact changes in the total service population have on each General Fund department.

25 Year Forecast

The Cost-of-Service study evaluates the project's net fiscal impact over a 25-year horizon. The project's annual fiscal impact is calculated and then aggregated. The aggregated results equate to the overall net fiscal impact. The study adjusted direct revenues and costs, as well as demographic projections over this period. Taxable values, sales taxes, and lodging taxes were adjusted by 1% annually to account for inflation. The Town's 2025 budget was also adjusted annually by 1% to account for inflation. The Town's population and workforce estimates were increased annually based on the state demographer's growth rate projections for Boulder County, and the Town of Erie Comprehensive Plan's workforce projections[9].

Permit Fees and Impact Fees Excluded

The developer provided an estimated Impact and Building Permit Fee estimate as part of this development project. However, one-time revenues and expenditures are not included within the fiscal impact study. Although the development is expected to generate substantial revenues in the form of permit fees and impact fees, these revenues were excluded from this analysis as there are not recurring revenue or expenditures.

[9] "Erie Economic Market Analysis" September 9th, 2024

Appendix

Boulder County Analysis

Summary

This analysis is designed to summarize the subject parcel's urban renewal eligibility. The Feasibility Study has demonstrated Erie Town Center Phase 1's Feasibility Gap, one that can only be overcome through public private partnerships and creative public financing. The proposed Urban Renewal Plan formation is a critical step to making this project feasible. The Urban Renewal Plan and its ability to leverage tax increment financing will offset costs caused by blighting conditions within the site. These conditions include severe undermining, with mitigation costs estimated to exceed $4.4 million in Phase 1. This analysis will demonstrate how the Erie Town Center Urban Renewal Plan can leverage property tax increment financing to offset ~57% of these undermining costs. The Urban Renewal Plan, and Boulder County's partnership, is essential to realizing the Erie Community's vision for its Town Center.

Urban Renewal Eligibility Summary

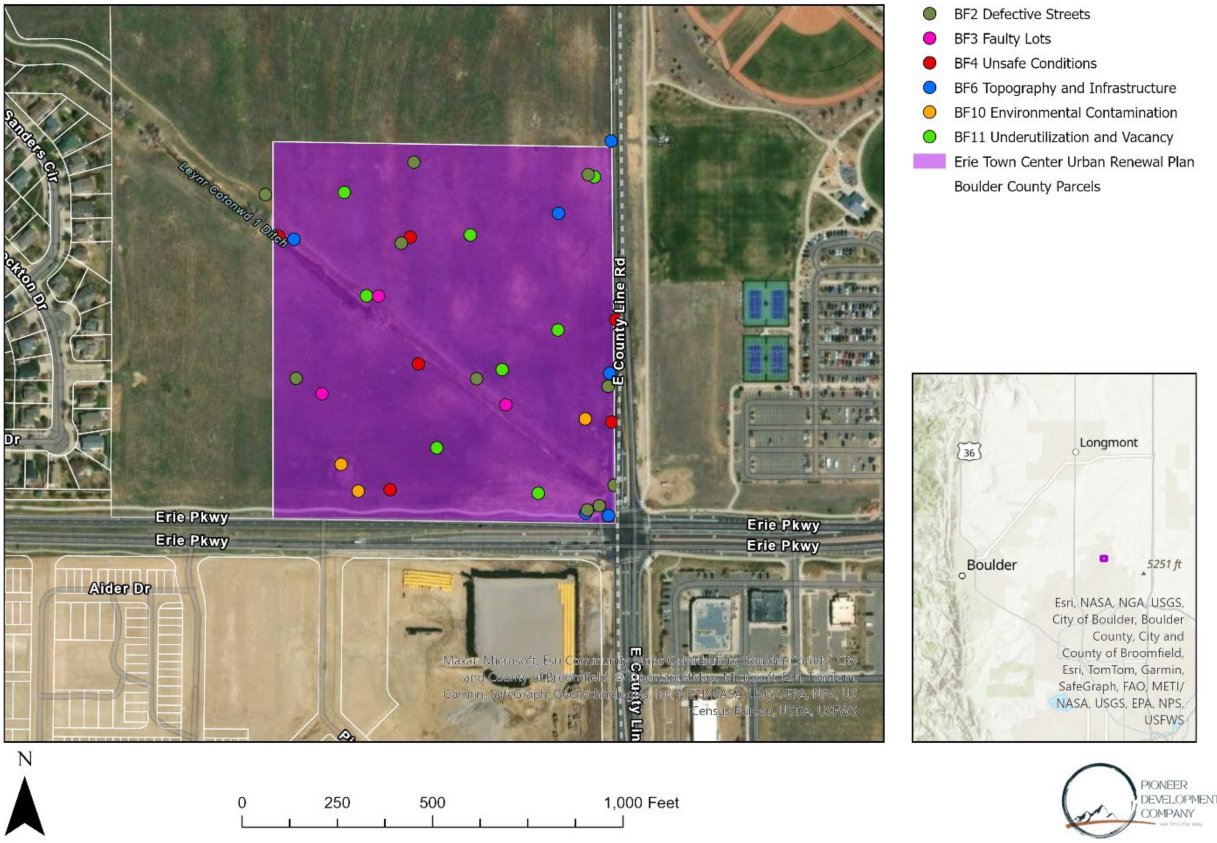
For an Urban Renewal Plan to be established, a specific geographic area within a municipality must be found to exhibit certain conditions. These are conditions that, in general, arrest the sound growth of a municipality. This may include conditions that impair a municipality's growth, retards housing development and accommodations, or constitutes a liability for economic or community development. Statute defines these conditions as eleven separate factors in C.R.S. 31-25-103.2. These factors must be cataloged before urban renewal projects and activities can commence.

The Town of Erie's Urban Renewal Authority (TOEURA) commissioned a Condition Survey to catalogue the statutorily defined blighted area factors impacting the Town Center Parcel. This Conditions Survey, dated December 4th, 2024, identified six (6) blighted area factors as defined by Colorado's Urban Renewal Law, within the Town's municipal limits. The presence of six blighting factors meets the requirements outlined in (C.R.S. 31-25-104), in which at least four blighting factors must be present for that area to be declared "blighted" and therefore eligible to be designated as an Urban Renewal Plan area. These factors are tabulated below and illustrated on the map on the following page:

Conditions Survey – Blighting Factors Catalogued

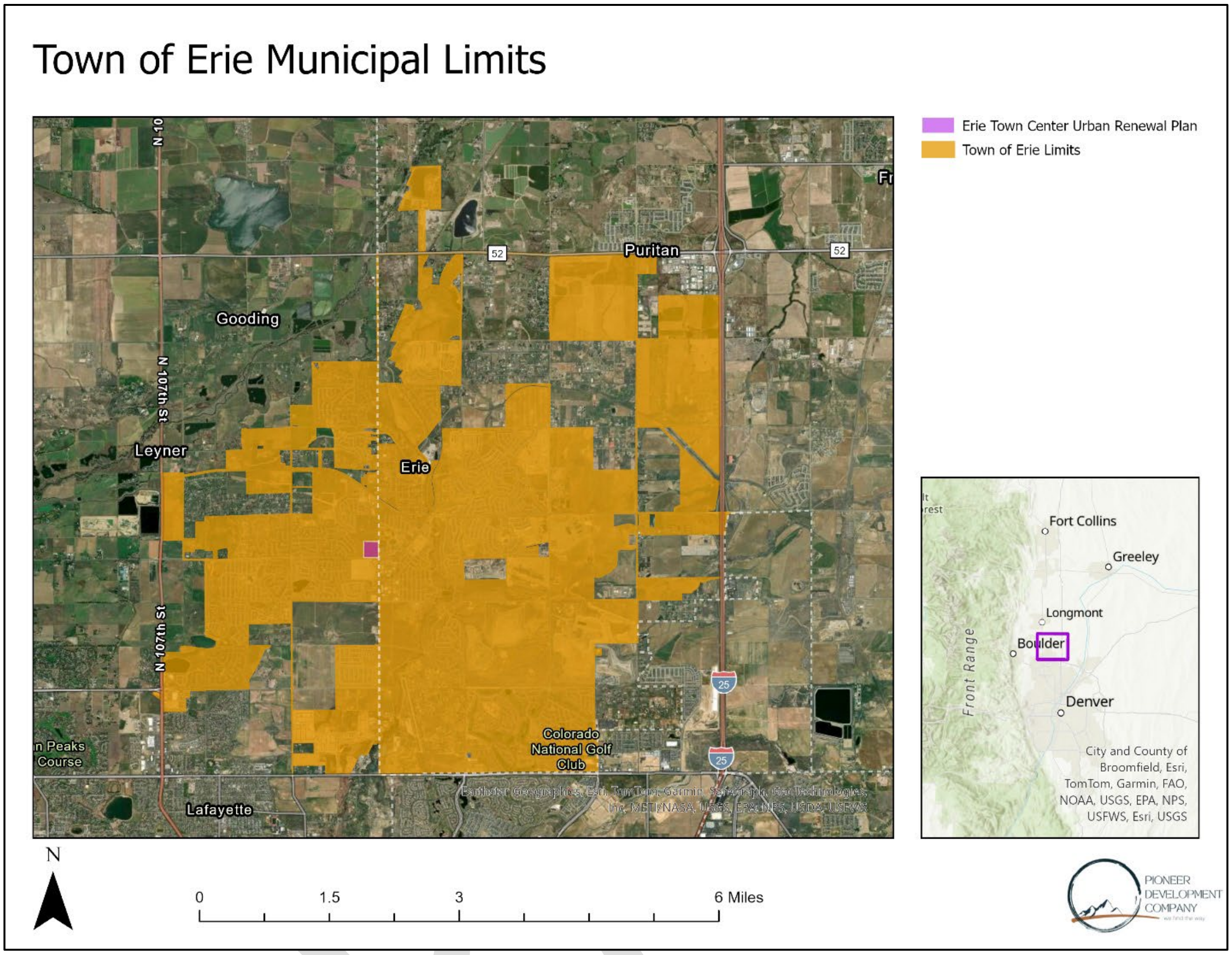
Blighted Area Factor # (C.R.S. 31-25-103.2 List Label)	Definition
Factor 2 (b)	Predominance of Defective or Inadequate Street Layout
Factor 3 (c)	Faulty Lot Layout in Relation to Size, Adequacy, Accessibility, or Usefulness
Factor 4 (d)	Unsanitary or Unsafe Conditions
Factor 6 (f)	Unusual Topography or Inadequate Public Improvements or Utilities
Factor 10 (j)	Environmental Contamination
Factor 11 (k.5)	The Existence of Health, Safety, or Welfare Factors Requiring High Levels of Municipal Services or Substantial Physical Underutilization or Vacancy of Sites, Buildings, or Other Improvements

Conditions Survey Area - Blighting Factors Map



The proposed Urban Renewal Plan boundary also meets the statutory recommendation of "being drawn as narrowly as possible". The boundary encompasses a single parcel that is owned by the Town of Erie. Although this parcel is surrounded by new development and is included within the comprehensive Erie Town Center Planned Development zone, it remains underutilized. Prior to the Town purchasing the property in 2022, the previous owner had pushed to lower its tax burden by assessing the property as agricultural. However, this property has not and will not be used for agricultural purposes. This property is strategically located in the center of Erie's Municipal limits (see map on following page) and is a key component in the Town's community led initiative to create the Erie Town Center. The factors identified by the conditions survey highlight the causes that have been arresting the property's sound development. The blighting factors identified are also dispersed throughout the survey area, meaning that all parcels included exhibit multiple blighting factors.

The Conditions Survey finds that the proposed Erie Town Center Urban Renewal Plan area can be declared a "blighted area" as defined by Colorado's Urban Renewal Law and therefore qualifies for urban renewal treatment.



Tax Increment Financing Revenue Forecast

The Feasibility study forecast Tax Increment Revenue generated at Boulder County's property tax millage rate. This forecast is based on an assumed revenue sharing agreement with the County where only incremental revenue generated at the County's General Fund Millage Rate would be pledged to the Urban Renewal Plan. That agreement is tabulated below:

Tax District Name	2024 Mill Levy	TIF Agreement %	TIF Eligible Mill Levy
BOULDER COUNTY - GENERAL OPERATIONS	17.645	100%	17.645
BOULDER COUNTY - ROADS AND BRIDGES	0.159	0%	0.000
BOULDER COUNTY - PUBLIC WELFARE	0.837	0%	0.000
BOULDER COUNTY - DEVELOPMENT DISABILITY	0.856	0%	0.000
BOULDER COUNTY - CAPITAL EXPENDITURE	0.419	0%	0.000
BOULDER COUNTY - REFUND ABATEMENT	0.072	0%	0.000
BOULDER COUNTY – HEALTH/HUMAN SERVICES	0.500	0%	0.000
BOULDER COUNTY - TEMP HS SAFETY	0.799	0%	0.000
TOTAL	**21.287**	**83%**	**17.645**

Boulder County issues a 21.287 overlapping millage rate within the proposed Erie Town Center Phase 1 Urban Renewal Plan. This mill levy is a significant revenue source for the County's operations and funds. According to the Boulder County 2024 Budget, net property taxes account for 40% of their total revenue collected, or ~$242.1 million in revenue. The 2024 budget represents a 10% increase over the 2023 budget of $593.5 million. It is against this financial backdrop that the Erie Town Center Urban Renewal Plan should be evaluated.

To quantify potential revenue impacts to the County, this study compared the Plan's projected annual property tax increment to the County's annual property tax revenue. Projected property tax increment revenue is derived from new improvements in the Plan area, meaning that the Plan area's base assessed value was not included in this comparison.

The Erie Town Center Urban Renewal Plan area's annual property tax TIF per the County's millage rate was then compared as a percentage to total property tax revenue collections. This report estimates that the Erie Town Center Urban Renewal Plan area's property tax increment generated at the County's General Fund millage rate will account for 0.03% of Boulder County's annual property tax revenue collections.

	2024 Property Tax Revenue (Budgeted)	Plan Area Estimated Property Tax TIF (Annual Average)	Percent of Total
Boulder County	$ 242,134,585	$ 62,962	0.3%

The Erie Town Center Urban Renewal Plan is expected to last 25 years. Over that time, the new improvements incentivized by this Plan through TOEURA will begin to accumulate incremental property tax revenue. These incremental property tax revenues represent a revenue stream that can be remitted to the TOEURA via TIF agreement in support of its remediation and redevelopment efforts in the Plan area.

Boulder County also levies a 1.185% sales tax, meaning that the Erie Town Center Urban Renewal Plan's projected sales tax revenue will serve as an additional revenue source to the County. **This report estimates that the Plan will generate an additional $7.3 million in County sales taxes over 25 years. This incremental sales tax revenue amounts to $288,500 as an annual average. When compared to incremental property taxes, this County sales tax increment (which is not eligible for TIF) will generate 4 times more revenue than the property tax increment.** In short, the Plan represents a positive return on investment for the County from a Fiscal standpoint.

Also, the Plan area's projected development accounts for only 0.07% of the County's annual property tax revenue collections. This means that over the next 25 years, the Erie Town Center Urban Renewal Plan will alleviate blight, activate commercial and affordable housing development, and fulfill the Town of Erie's Comprehensive Plan land use and community visioning goals for this area, without significantly detracting from the County's expected revenues. In fact, the County stands to generate more tax revenue than it pledges via the property tax collections. This report does not find a negative revenue impact on Boulder County caused by the Erie Town Center Urban Renewal Plan.

County Property Tax Increment and Blight Mitigation

The main source of blight afflicting this property is the significant undermining and subsidence hazards. This mitigation is costly and is one of the primary reasons why the Town and TOEURA are pursuing an Urban Renewal Plan area at this location. Mine mitigation costs were provided by Development Team and their engineering consultants. A Phase II environmental study performed by Lithos Engineering originally estimated mitigation costs at an average of $400,000 per acre in 2022. The most recent mitigation cost estimates provided by engineers and consultants for Phase 1 equate to ~$635,000 per acre. The total Mine Mitigation cost for Phase 1 is estimated at $4,443,011.

The Study evaluated Boulder County's Property Tax Increment compared to this blighting factor cost. The present value[10] of the proposed Tax Increment Financing agreement with Boulder County is $603,000. This present value estimate is approximately 14% of the total mine mitigation costs. Boulder County's participation in this Urban Renewal Plan represents a significant contribution to mitigating the blight impacted the property and its future development. However, it will require additional support from the Town, School District, and other partner taxing entities to fully overcome the funding gap created by these factors.

[10] Discounted at a 7.50% rate.

Exhibits

Erie Town Center Phase 1 Tax Revenue Forecast Model

Erie - Town Center Phase 1 Development Project														
Combined Annual Proforma		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Absorption Schedule														
Residential		-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial		-	-	-	40,322	14,940	-	-	-	-	-	-	-	-
Total Residential Units		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Commercial SF		-	-	-	40,322	14,940	-	-	-	-	-	-	-	-
Project Total Value														
Residential		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial		$ -	$ -	$ -	$ 13,129,273	$ 4,993,430	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Residential Actual Value		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Commercial Actual Value		$ -	$ -	$ -	$ 13,129,273	$ 4,993,430	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Project Taxable Value														
Residential Ratio	6.90%													
Commercial Ratio	25.0%													
Assessor % Reduction	85%													
Residential Taxable Value		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Taxable Value		$ -	$ -	$ -	$ 2,789,970	$ 1,061,104	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Project Assessed Value (Taxable Value)		$ -	$ -	$ -	$ 2,789,970	$ 1,061,104	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Estimated Increment														
Annual NET AV (Assessed Value)		$ -	$ -	$ -	$ 2,789,970	$ 1,061,104	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Inflation Factor	1%													
Total NET AV (Inflation Adjusted)		$ -	$ -	$ -	$ 2,789,970	$ 3,889,585	$ 3,889,585	$ 3,928,481	$ 3,928,481	$ 3,967,766	$ 3,967,766	$ 4,007,443	$ 4,007,443	$ 4,047,518
Estimated Base														
Existing Taxable Value		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Base Inflation Factor	2%													
Incremental Taxable Value		$ -	$ -	$ -	$ 2,789,970	$ 3,889,585	$ 3,889,585	$ 3,928,481	$ 3,928,481	$ 3,967,766	$ 3,967,766	$ 4,007,443	$ 4,007,443	$ 4,047,518
Project Sales Tax														
Sales Tax Rate	3.3%													
Retail SALES Per SF		$ -	$ -	$ -	$ 19,513,061	$ 3,557,655	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales Tax %														
Total Retail Sales		$ -	$ -	$ -	$ 19,513,061	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716
Estimated Annual Sales Tax		$ -	$ -	$ -	$ 634,174	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798

Erie - Town Center Phase 1 Development Project													End of URA Timeframe
Combined Annual Proforma	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Absorption Schedule													
Residential	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residential Units	-	-	-	-	-	-	-	-	-	-	-		
Total Commercial SF	-	-	-	-	-	-	-	-	-	-	-		
Project Total Value													
Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Commercial	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Total Residential Actual Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Total Commercial Actual Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Project Taxable Value													
Residential Ratio													
Commercial Ratio													
Assessor % Reduction													
Residential Taxable Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Commercial Taxable Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Project Assessed Value (Taxable Value)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Estimated Increment													
Annual NET AV (Assessed Value)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Inflation Factor													
Total NET AV (Inflation Adjusted)	$ 4,047,518	$ 4,087,993	$ 4,087,993	$ 4,128,873	$ 4,128,873	$ 4,170,162	$ 4,170,162	$ 4,211,863	$ 4,211,863	$ 4,253,982	$ 4,253,982	$ 4,296,522	$ 4,296,522
Estimated Base													
Existing Taxable Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Base Inflation Factor													
Incremental Taxable Value	$ 4,047,518	$ 4,087,993	$ 4,087,993	$ 4,128,873	$ 4,128,873	$ 4,170,162	$ 4,170,162	$ 4,211,863	$ 4,211,863	$ 4,253,982	$ 4,253,982	$ 4,296,522	$ 4,296,522
Project Sales Tax													
Sales Tax Rate													
Retail SALES Per SF	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales Tax %													
Total Retail Sales	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716	$ 23,070,716
Estimated Annual Sales Tax	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798

Property Tax TIF Estimates	*Plan Yr -->*	1	2	3	4	5	6	7	8	9	10	11	12	13
Property Tax														
Total Incremental Taxable Value		$ -	$ -	$ -	$ 2,789,970	$ 3,889,585	$ 3,889,585	$ 3,928,481	$ 3,928,481	$ 3,967,766	$ 3,967,766	$ 4,007,443	$ 4,007,443	$ 4,047,518
Mill Levy	75.376													
Annual Incremental Estimate		$ -	$ -	$ -	$ 210,297	$ 293,181	$ 293,181	$ 296,113	$ 296,113	$ 299,074	$ 299,074	$ 302,065	$ 302,065	$ 305,086
Discount Rate	7.50%													
NPV	$2,574,658													

Property Tax TIF Estimates	14	15	16	17	18	19	20	21	22	23	24	25	26
Property Tax													
Total Incremental Taxable Value	$ 4,047,518	$ 4,087,993	$ 4,087,993	$ 4,128,873	$ 4,128,873	$ 4,170,162	$ 4,170,162	$ 4,211,863	$ 4,211,863	$ 4,253,982	$ 4,253,982	$ 4,296,522	$ 4,296,522
Mill Levy													
Annual Incremental Estimate	$ 305,086	$ 308,137	$ 308,137	$ 311,218	$ 311,218	$ 314,330	$ 314,330	$ 317,473	$ 317,473	$ 320,648	$ 320,648	$ 323,855	$ 323,855
Discount Rate													
NPV													

Sales Tax TIF Estimate		1	2	3	4	5	6	7	8	9	10	11	12	13
Estimated Annual Retail Sales		-	-	-	19,513,061	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716
Estimated Annual Sales Tax		$ -	$ -	$ -	$ 634,174	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798
Sales Tax Sharing %	100%													
Estimated Sales Tax Increment		$ -	$ -	$ -	$ 634,174	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798
Inflation Adjustment	1%													
Inflation Adjusted Sales		$ -	$ -	$ -	$ 659,925	$ 788,046	$ 795,926	$ 803,885	$ 811,924	$ 820,043	$ 828,244	$ 836,526	$ 844,891	$ 853,340
Rolling Inflation														
Discount Rate	7.50%													
NPV /No Inflation	$6,435,885													
NPV w/ Inflation	$7,270,534													

Sales Tax TIF Estimate	14	15	16	17	18	19	20	21	22	23	24	25	26
Estimated Annual Retail Sales	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716	23,070,716
Estimated Annual Sales Tax	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798
Sales Tax Sharing %													
Estimated Sales Tax Increment	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798	$ 749,798
Inflation Adjustment													
Inflation Adjusted Sales	$ 861,874	$ 870,493	$ 879,197	$ 887,989	$ 896,869	$ 905,838	$ 914,896	$ 924,045	$ 933,286	$ 942,619	$ 952,045	$ 961,565	$ 971,181
Rolling Inflation													
Discount Rate													
NPV /No Inflation													
NPV w/ Inflation													

Feasibility Analysis Pro Forma
$19.5 Million in Gap Funding

Feasibility Summary

Scenario:
Town Center Gap Funding Scenario: Long-Term Hold ($19.5 Million in Gap Funding)

PROJECT SUMMARY

Property Summary	
Residential Units	0
Rentable SF	43,582
Total Development Cost	$37,400,890
Development Cost per Rentable Square Foot	$858
Construction Equity	$13,090,312
ConstructionDebt	$24,310,579
Proforma	
Year Stabilized	3
Stabilized NOI	$1,502,715
Stabilized Cap Rate	7.00%
Stabilized Proforma Value	$21,467,352
Stabilized Value Per RSF	$493
Reversion Value	$24,173,256
Reversion Cap Rate	7.75%
Growth Rate	3.00%
GAP FUNDING - applied to contruction equity	**$19,500,000**

Construction Loan Summary	
Loan : Cost Ratio	65%
Contruction Loan Term (mos)	36
Construction Interest Rate	7.50%
Construction Loan Amount	$24,310,579
Construct Loan Per RSF	$558
Perm Loan Summary	
Perm Loan : Value Ratio	65%
Perm Loan Amount	$13,953,779
Perm Loan Ammortization (yrs)	30
Perm Interest Rate	7.00%
Perm Loan Yearly Payment	$1,114,018
Perm Term	10
Perm Loan Balance	$13,953,779
Loan Fees/Closing Costs	2.0%
DSCR	1.3
DSCR Loan Amount	$16,513,347

Feasibility Indicators (10 yr hold)		Market Target Rate
Return on Cost*	8.39%	8.75% to 9.50%
IRR on Project (unleveraged)	9.47%	9.25% to 10.25%
NPV	$ 486,124	

*Stabilized Year 3

OPERATING PROFORMA

Proforma Year	**CONSTRUCT**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Investment												
Construction Equity	(13,090,312)											
Construction Debt	(24,310,579)											
Construction Cost	**(37,400,890)**											
Operating Income												
Net Income from Property Operations	$0	$0	$1,074,792	$1,502,715	$1,523,268	$1,568,966	$1,616,035	$1,664,516	$1,714,451	$1,765,885	$1,818,861	$1,873,427
GAP Funding	*$19,500,000*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NOI	**$19,500,000**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$1,873,427**
(less) Construction Loan Interest Payment		($1,823,293)	($1,823,293)	($1,823,293)								
(less) Perm Loan Payments		($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)
Operating Cash Flow	**$19,500,000**	**($2,937,311)**	**($1,862,520)**	**($1,434,597)**	**$409,250**	**$454,948**	**$502,017**	**$550,498**	**$600,433**	**$651,867**	**$704,843**	**$759,409**
Unleveraged Cash Flow (NET OF CONST GAP FUNDING)	**($17,900,890)**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$26,046,684**
Rates of Return Analysis												
IRR on Project (unleveraged)	**9.47%**											
Return on Cost		0.00%	6.00%	**8.39%**	8.51%	8.76%	9.03%	9.30%	9.58%	9.86%	10.16%	10.47%
xNet Present Value	**$486,124**											

Feasibility Analysis Pro Forma
$20.0 Million in Gap Funding

Feasibility Summary

Scenario:
Town Center Gap Funding Scenario: Long-Term Hold ($20.0 Million in Gap Funding)

PROJECT SUMMARY

Property Summary	
Residential Units	0
Rentable SF	43,582
Total Development Cost	$37,400,890
Development Cost per Rentable Square Foot	$858
Construction Equity	$13,090,312
ConstructionDebt	$24,310,579

Proforma	
Year Stabilized	3
Stabilized NOI	$1,502,715
Stabilized Cap Rate	7.00%
Stabilized Proforma Value	$21,467,352
Stabilized Value Per RSF	$493
Reversion Value	$24,173,256
Reversion Cap Rate	7.75%
Growth Rate	3.00%

GAP FUNDING - applied to contruction equity	**$20,000,000**

Construction Loan Summary	
Loan : Cost Ratio	65%
Contruction Loan Term (mos)	36
Construction Interest Rate	7.50%
Construction Loan Amount	$24,310,579
Construct Loan Per RSF	$558

Perm Loan Summary	
Perm Loan : Value Ratio	65%
Perm Loan Amount	$13,953,779
Perm Loan Ammortization (yrs)	30
Perm Interest Rate	7.00%
Perm Loan Yearly Payment	$1,114,018
Perm Term	10
Perm Loan Balance	$13,953,779
Loan Fees/Closing Costs	2.0%
DSCR	1.3
DSCR Loan Amount	$16,513,347

Feasibility Indicators (10 yr hold)		Market Target Rate
Return on Cost*	**8.64%**	**8.75% to 9.50%**
IRR on Project (unleveraged)	**9.83%**	**9.25% to 10.25%**
NPV	**$ 986,124**	
*Stabilized Year 3		

OPERATING PROFORMA

Proforma Year	**CONSTRUCT**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Investment												
Construction Equity	(13,090,312)											
Construction Debt	(24,310,579)											
Construction Cost	**(37,400,890)**											
Operating Income												
Net Income from Property Operations	$0	$0	$1,074,792	$1,502,715	$1,523,268	$1,568,966	$1,616,035	$1,664,516	$1,714,451	$1,765,885	$1,818,861	$1,873,427
GAP Funding	*$20,000,000*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NOI	**$20,000,000**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$1,873,427**
(less) Construction Loan Interest Payment		($1,823,293)	($1,823,293)	($1,823,293)								
(less) Perm Loan Payments		($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)
Operating Cash Flow	**$20,000,000**	**($2,937,311)**	**($1,862,520)**	**($1,434,597)**	**$409,250**	**$454,948**	**$502,017**	**$550,498**	**$600,433**	**$651,867**	**$704,843**	**$759,409**
Unleveraged Cash Flow (NET OF CONST GAP FUNDING)	**($17,400,890)**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$26,046,684**
Rates of Return Analysis												
IRR on Project (unleveraged)	**9.83%**											
Return on Cost		0.00%	6.18%	**8.64%**	8.75%	9.02%	9.29%	9.57%	9.85%	10.15%	10.45%	10.77%
xNet Present Value	**$986,124**											

Feasibility Analysis Pro Forma
$20.5 Million in Gap Funding

Feasibility Summary

Scenario:
Town Center Gap Funding Scenario: Long-Term Hold ($20.5 Million in Gap Funding)

PROJECT SUMMARY

Property Summary		**Construction Loan Summary**	
Residential Units	0	Loan : Cost Ratio	65%
Rentable SF	43,582	Contruction Loan Term (mos)	36
Total Development Cost	$37,400,890	Construction Interest Rate	7.50%
Development Cost per Rentable Square Foot	$858	Construction Loan Amount	$24,310,579
Construction Equity	$13,090,312	Construct Loan Per RSF	$558
ConstructionDebt	$24,310,579		
		Perm Loan Summary	
		Perm Loan : Value Ratio	65%
Proforma		Perm Loan Amount	$13,953,779
Year Stabilized	3	Perm Loan Ammortization (yrs)	30
Stabilized NOI	$1,502,715	Perm Interest Rate	7.00%
Stabilized Cap Rate	7.00%	Perm Loan Yearly Payment	$1,114,018
Stabilized Proforma Value	$21,467,352	Perm Term	10
Stabilized Value Per RSF	$493	Perm Loan Balance	$13,953,779
Reversion Value	$24,173,256	Loan Fees/Closing Costs	2.0%
Reversion Cap Rate	7.75%	DSCR	1.3
Growth Rate	3.00%	DSCR Loan Amount	$16,513,347

GAP FUNDING - applied to contruction equity	**$20,500,000**	

Feasibility Indicators (10 yr hold)		Market Target Rate
Return on Cost*	**8.89%**	**8.75% to 9.50%**
IRR on Project (unleveraged)	**10.21%**	**9.25% to 10.25%**
NPV	**$ 1,486,124**	

*Stabilized Year 3

OPERATING PROFORMA

Proforma Year	**CONSTRUCT**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Investment												
Construction Equity	(13,090,312)											
Construction Debt	(24,310,579)											
Construction Cost	**(37,400,890)**											
Operating Income												
Net Income from Property Operations	$0	$0	$1,074,792	$1,502,715	$1,523,268	$1,568,966	$1,616,035	$1,664,516	$1,714,451	$1,765,885	$1,818,861	$1,873,427
GAP Funding	*$20,500,000*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
NOI	**$20,500,000**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$1,873,427**
(less) Construction Loan Interest Payment		($1,823,293)	($1,823,293)	($1,823,293)								
(less) Perm Loan Payments		($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)	($1,114,018)
Operating Cash Flow	**$20,500,000**	**($2,937,311)**	**($1,862,520)**	**($1,434,597)**	**$409,250**	**$454,948**	**$502,017**	**$550,498**	**$600,433**	**$651,867**	**$704,843**	**$759,409**
Unleveraged Cash Flow (NET OF CONST GAP FUNDING)	**($16,900,890)**	**$0**	**$1,074,792**	**$1,502,715**	**$1,523,268**	**$1,568,966**	**$1,616,035**	**$1,664,516**	**$1,714,451**	**$1,765,885**	**$1,818,861**	**$26,046,684**
Rates of Return Analysis												
IRR on Project (unleveraged)	**10.21%**											
Return on Cost		0.00%	6.36%	**8.89%**	9.01%	9.28%	9.56%	9.85%	10.14%	10.45%	10.76%	11.08%
xNet Present Value	**$1,486,124**											