



Tax Increment Financing (TIF) Assistance APPLICATION

PROJECT NAME: THE COMMONS – FORT COLLINS (FORMERLY CHOICE CENTER)

DATE: MAY 20, 2011

PROJECT ADDRESS / LOCATION: 1635 SOUTH COLLEGE AVE

APPLICANT / DEVELOPER / PROPERTY OWNER INFORMATION:

	APPLICANT	DEVELOPER	PROPERTY-OWNER
Company Name	CAPSTONE DEVELOPMENT CORP.	CAPSTONE DEVELOPMENT CORP.	SINGLE MEMBER LLC TO BE DETERMINED
Company Owner/CEO	MICHAEL A. MOURON, PRESIDENT	MICHAEL A. MOURON, PRESIDENT	
Contact Person	L. JEFF JONES	L. JEFF JONES	
Title	EXECUTIVE VICE PRESIDENT	EXECUTIVE VICE PRESIDENT	
Complete Address	431 OFFICE PARK DRIVE BIRMINGHAM, AL 35223	431 OFFICE PARK DRIVE BIRMINGHAM, AL 35223	
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TYPE OF LAND USE DEVELOPMENT / REDEVELOPMENT ACTIVITY

- | | |
|---|---|
| <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Mixed-Use (Residential/Non-Residential) |
| <input type="checkbox"/> Commercial/Retail | <input type="checkbox"/> Mixed-Use (Commercial/Industrial) |
| <input type="checkbox"/> Industrial/Warehouse | <input type="checkbox"/> Other (please explain) _____ |

PROJECT ELEMENTS

- | | |
|--|--|
| <input checked="" type="checkbox"/> New Construction | <input checked="" type="checkbox"/> Site Clearance |
| <input checked="" type="checkbox"/> Infrastructure Improvement | <input type="checkbox"/> Building Rehabilitation |
| <input checked="" type="checkbox"/> Land Acquisition | <input checked="" type="checkbox"/> Other (please explain) <u>ENERGY & ENVIRONMENTAL</u> |

NEW OR EXISTING BUSINESSES (NON-RESIDENTIAL PROJECTS ONLY)

New Business for URA Plan Area? Yes No
 Existing Business in URA Plan Area? Yes No Years in Business _____ years

FINANCIAL / FUNDING SUMMARY INFORMATION

Total Project Cost	\$ 44,773,946
Current Actual Value (Larimer County Assessor)	\$ 463,000
Projected Actual Value (Larimer County Assessor)	\$ 34,898,134
Projected Annual Property Tax	\$ 275,327
Total Property Tax Increment Expected	\$ 8,060,987
Total TIF Assistance Requested	\$ 5,000,000

TYPE OF TIF REQUESTED (include general terms & conditions)

- Grant
- Loan (incl. methods of payback in description)

SUMMARY OF FUNDING SOURCES AND USE OF FUNDS (for the entire project)

Amount	Source	Use
\$ 5,000,0000	URA Tax Increment Financing (TIF)	PUBLIC IMPROVEMENTS LISTED
\$ 8,954,789	EQUITY	LAND ACQUISITION, PRE-DEV COSTS, CLOMR CONSTRUCTION
\$ 35,819,157	CONSTRUCTION LOAN	REMAINING DEV AND CONSTRUCTION COSTS
\$		
\$		
\$		
\$ 44,773,946	Project Total	

INFORMATION REQUESTED FOR APPLICATION

Please include:

1. A location map
2. Site plans or project drawings (please include photos of site currently)
3. Project Proforma
4. Owner/Business resume
5. Executive Summary with the following questions answered:
 - a. What is the nature of the project?
 - b. Why is TIF assistance needed; how will the funds be used?
 - c. What other sources of financing will the project secure other than TIF?
 - d. How will the project help improve/upgrade public infrastructure (streets, utilities, drainage, etc.)?
 - e. How will the project enhance the property tax base (and sales tax base, if applicable) of the area?
 - f. How will the project help achieve the goals of North College Urban Renewal Plan and City Plan?
 - g. How will the project help eliminate slum and blight conditions?
 - h. How will this project help achieve the URA goals of sustainability through green building techniques? Please be specific how this project uses energy efficiency, renewable resources, natural resource conservation techniques, stormwater low impact design methods, or any other methods not listed.
 - i. Please provide documentation and quantifiable results stating the proven methods or effectiveness of the proposed sustainable features within the project.
 - j. What is the proposed project timetable (what is the estimated time frame for major steps including the City's planning decision, completion of financial commitments, start of construction, and issuance of Certificate of Occupancy (CO)?

Please include any additional information that would be helpful to your application.

Executive Summary

A. What is the nature of the Project?

One of Capstone's development divisions is focused on a program we call campus-edge, mixed-use, "infill" developments. We believe this development program and approach is the smartest, most sustainable form of development in college communities because it allows for and accommodates a large number of students within walking/ biking distance of the campus. This in turn relieves traffic congestion and takes pressure off of limited campus parking, while also reducing the encroachment of student rental housing into historically single-family neighborhoods around the campus - a win-win for the City, Colorado State University and its students. This type of development is more self-contained and synergistic as the residential component helps support the retail component.

Capstone is evaluating markets across the country for sites to develop under this program. We have determined that our proposed development site, comprised of the Johnson and Brown properties along South College Avenue in Fort Collins ("the Site") is **ideal** for this our campus-edge program for a number of reasons:

- **Proximity to CSU.** The site is located within close walking/ biking distance to CSU.
- **Eliminating Blight.** The site is a wonderful candidate for redevelopment given the underutilized and **currently undevelopable** former mobile home parcel and the car wash and storage units that currently occupy the Site.
- **Supporting CSU Growth.** CSU anticipates growing its enrollment by 5,000 students in the next 15 years, only half of which it plans to accommodate in on-campus housing.
- **Synergy with public/ mass transit.** The establishment of the City's Mason Corridor transit line will help make this Project *more feasible* and viable by providing quick and easy transportation options for our residents to the campus, downtown and beyond. Similarly, this high-density mixed-use project is exactly the kind of transit-oriented development we believe was envisioned by the City when it planned and invested in the Mason Corridor bus rapid transit system.
- **Addresses Market Opportunity.** Due to lack of recent student-oriented housing of this type and barriers to entry, the Fort Collins market is ripe for this Project.

The Project consists of 2 buildings, 676 beds of student-oriented apartment-style housing, and approximately 8,000 square feet of new retail space. The residential unit mix will consist of 4 bedroom - 4 bath units, 3 bedroom - 3 bath units, 2 bedroom - 2 bath units and 1 bedroom - 1 bath units. The Project amenities will include active and quiet study lounges, a student activity/game room, fitness area, as well as three "pocket parks" or exterior courtyards that will include fire pits, barbecue grills and a sand volleyball court. There will be pedestrian pathways within the Project site that also connect to the bike and pedestrian pathways to CSU to the north and other City parks and commercial destinations to the south.

B. Why is TIF assistance needed; how will the funds be used?

While we anticipate market acceptance of this student-oriented housing development, there are several factors that make the Project economics challenging. They are as follows:

1. Modest rental rates in the market. There has been a lack of large-scale, student-oriented projects developed in the last decade in Fort Collins. For this reason, rental rates for off-campus apartments in Fort Collins have remained relatively stagnant, increasing only slightly each year compared to other college towns across the country. This is a good news/ bad news matter. For tenants currently in the market, this may be viewed as a positive; for new projects aspiring to a walkable location, higher design and construction quality, and proactive, professional management and maintenance, the modest rental rates in the market make the project economics more challenging. This results in unfortunate pressure to provide lesser quality projects with fewer comfortable and sustainable amenities, which Capstone is endeavoring not to do.
2. High impact, development and utility fees and charges. Capstone and City officials have estimated the development, impact and utility fees applicable to this project to be in the range of \$3 Million (+), which effectively nearly doubles the already high land cost. At more than 7% of development costs, these fees are two to four times higher than we typically encounter with similar developments in other college communities nationwide. This is more of a conundrum given that our proposed development should rank high for sustainability and environmental sensitivity -- a walkable site, on the transit line, with low flow fixtures and a highly efficient building envelope, in a mixed residential-retail community.
3. Extraordinary sitework & floodplain management costs. Capstone has worked with its design team, the City of Fort Collins Stormwater Department' and FEMA to design a creative stormwater management/ development plan for this historically flood-prone area. The additional cost of the arduous design work, significant floodplain and stormwater improvements, multiple contractor mobilizations and schedule implications create a substantial burden, and to make matters worse there is a significant portion of the land that must be dedicated to FEMA via an easement that reduces the buildable footprint of our development, reducing the potential efficiency of the Project.

For the reasons outlined above, this project would not be "finance-able" in today's tenuous real estate and credit environment, and therefore not feasible, without TIF assistance. URA TIF assistance is necessary to help close the economic gap, allowing the Project to proceed and offer new, attractive, environmentally friendly, student-oriented housing at marketable, sustainable lease rates to students attending Colorado State University.

The funds will be used to purchase the Public Improvements listed on the attached spreadsheet.

C. What other sources of financing will the Project secure other than TIF?

Capstone has identified potential equity partners for the Project that will provide the remaining equity needed to secure the acquisition and construction financing from one

of the financial institutions with whom we do business. The equity will be used to fund the initial land acquisition and infrastructure improvements related to the “CLOMR” floodplain improvements beginning in September 2011, with the vertical construction portion of the loan anticipated to close in May of 2012 prior to the June commencement of vertical building construction.

D. How will the Project help improve/ upgrade public infrastructure (streets, utilities, drainage, etc.)?

Included in the development plan for this Project are the items below that represent improvements/ upgrades to the public infrastructure:

- Stormwater/ drainage:
 - To address the lack of proper and adequate drainage in this area, an extensive floodplain and stormwater management system will be installed. The City and FEMA floodway maps will be modified positively as a result of this Project. The improvements include:
 - Stormwater channel 50-85’ in width lined with expensive Turf Reinforcement Mat material along the western edge of the site that is designed to collect stormwater that could overtop the railroad embankment during a flood event and disperse it into Spring Creek at an acceptable rate. The system has been designed so as not to cause a “rise” of floodwaters on downstream properties.
 - A “car catcher” fence around the perimeter of the south parking lot to prevent cars from being swept into Spring Creek that could seal culverts and create further flooding problems on ours and adjacent sites.
 - Repair and replacement of an existing, off-site 48” storm pipe that runs across the Maytag and Dairy Queen properties that is in poor condition.
- Street/ vehicular circulation
 - Improvements to existing streets, turn lanes and accesses to retail businesses on and adjacent to the Site
 - High-density, walk-able re-development of a currently undevelopable, blighted site along the Mason Corridor BRT will help keep cars OFF the streets, contributing to less congestion and less wear-and-tear of existing public infrastructure.
- Access to/ through the site
 - Extension and connection of bicycle and sidewalk paths to those off-Site
 - Bike path extension off-Site on City Park property
- Utility upgrades
 - New underground electric service
 - High-efficiency street lighting
 - New water mains
 - New sanitary sewer mains
- Revenue to the City
 - \$3M + of development fees, increased property and sales tax base will help fund City and County infrastructure for decades to come.

E. How will the Project enhance the property tax base (and sales tax base, if applicable) of the area?

As mentioned above, this Project will increase the property tax base from the current amount of approximately \$48,500 annually to, according to estimates based upon the current local tax rate, approximately \$277,800 in year 1. This is expected to grow to approximately \$326,100 in Year 10. Also, the 8,000 square feet of new retail is anticipated to increase the sales tax slightly as no retail currently exists at this vacant location.

This development will create new jobs during construction and throughout its operations. During construction, we intend to use local and regional subcontractors to the extent possible. Once the Project opens through operations, both housing and retail management and maintenance will create new jobs, and increase revenue for existing businesses, due to 670 residents on site in 220 units.

Further, the redevelopment of this blighted yet high-profile and active intersection of College and Prospect Avenues will likely stimulate further redevelopment in the area along the Mason Corridor and at this primary gateway to the CSU campus.

F. How will the Project help achieve the goals of the Midtown Urban Renewal Plan and City Plan?

The Midtown Urban Renewal Plan states the following objectives that are consistent with the Project:

- To facilitate redevelopment and new development by private enterprise through cooperation among developers and public agencies to plan, design, and build needed improvements.
- To address and remedy conditions in the area that impair or arrest the sound growth of the City.
- To redevelop and rehabilitate the area in a manner which is compatible with and complementary to unique circumstances in the area.
- To effectively utilize undeveloped and underdeveloped land.
- To improve pedestrian, bicycle, vehicular and transit-related circulation and safety.
- To ultimately contribute to increased revenues for all taxing entities.
- To watch for market and/or project opportunities to eliminate blight, and when such opportunities exist, to take action within the financial, legal and political limits of the Authority to acquire land, demolish and remove structures, provide relocation benefits, and pursue redevelopment, improvement and rehabilitation projects.

City Plan states the following policies that are consistent with the Project:

- Policy EH 4.1: Prioritize Targeted Redevelopment Areas
- Policy EH 4.2: Reduce Barriers to Infill Development and Redevelopment
- Policy LIV 5.1: Encourage Targeted Redevelopment and Infill
- Policy LIV 5.2: Target Public Investment along the Community Spine
- Policy LIV 35.4: Transform through Infill and Redevelopment

G. How will the Project help eliminate slum and blight conditions?

First and foremost, the redevelopment of the Site will eliminate blight by transforming a currently underutilized and undevelopable former mobile home park with remaining deteriorated structures (car wash, storage facilities and a closed retail building) into a new, attractive and sustainable student residential community with retail on the ground level of College Avenue.

According to Colorado Urban Renewal Law, there are several factors of blight that have been identified on this site.

- Deterioration of site: neglected property, parking surface deterioration, unscreened mechanical
- Unusual topography or inadequate public improvements: presence of overhead utility lines
- Defective Street layout: poor internal circulation
- Unsafe conditions: Poor drainage, Steep slopes, trash, weeds, graffiti, poorly lit areas
- Unusual topography: floodplain

H. How will this Project help achieve the URA goals of sustainability through green building techniques? Please be specific how this Project uses energy efficiency, renewable resources, natural resource conservation techniques, stormwater low impact design methods, or any other methods not listed.

Capstone is committed to implementing smart growth and sustainable, green development strategies. With 14 key Capstone personnel designated as LEED Accredited Professionals, two projects certified LEED Silver, one Certified LEED Gold and several more pursuing and expecting Gold certification upon completion this summer, our track record for sustainable design and construction is strong. This Project, although not pursuing LEED Certification at the encouragement of City staff, is being designed to include the following sustainable building techniques and measures:

- HVAC Upgrade:
 - Our current plans include efficient 15 SEER Heat Pump with auxiliary heat, coupled with other envelope improvements such as increased continuous rigid and 6" batt insulation.
 - We are also investigating gas heat and/ or gas water heating. These particular items are attractive to Capstone and its prospective residents and we are hopeful that we can make the design and costs work within our budget parameters.
- Energy efficient, argon filled vinyl windows with "Low E" and low Solar Heat Gain Coefficient glazing to improve solar and thermal insulation properties.
- Use of low flow water fixtures (shower heads, sink faucets, toilets) to help reduce potable water usage by 20 to 30%.
- Xeriscaping techniques that utilize as many native plant species as possible to help reduce to need for irrigation. The Project will also utilize rain leaders to direct stormwater runoff from the roofs into garden areas for irrigation and to improve the quality of stormwater runoff.
- Utilization of energy star appliances.
- Energy Star approved white membrane TPO roof to prevent heat island effect.

- Shared parking arrangement with CSU to reduce heat island effect and encourage bike, pedestrian and Mason Corridor Bus Rapid Transit modes of “green” transportation.
- Deconstruction methods to divert waste from the landfill
 - Reclamation of hardwoods downed during demolition on site for site furnishings (picnic tables, etc.) and other uses.
 - Diversion of the majority of waste materials from the local landfills to recycling centers.
 - Use of Low VOC adhesives and paint compounds to improve indoor environmental quality.
- In addition to these sustainable features:
 - Redevelopment of a blighted, urban infill site that is located within walking distance of mass transportation hub(s) and other goods and services -- in lieu of suburban, “greenfield” development.
 - Will use local, regional materials and subcontractors where possible.

I. Please provide documentation and quantifiable results stating the proven methods or effectiveness of the proposed sustainable features within the project.

The methods and measures listed in Item H above generally follow the checklist of items found in the LEED Checklist established by the United States Green Building Council. As mentioned above, Capstone is NOT pursuing LEED Certification for this Project based on consultation with City staff members that have encouraged utilizing green/sustainable building techniques without the additional expense of pursuing certification.

That said, our Project MEP engineer has run our Energy Model based on the recently completed 85% Construction Documents and Specifications. The Model indicates that our building mechanical system and building envelope should produce an approximately 15% improvement over ASHRAE 90.1 2007 baseline statistics, 5% better than the minimum required by the Innovative Design Assistance Program offered by the City of Fort Collins Utilities Department.

J. What is the proposed Project timetable (what is the estimated time frame for major steps including the City’s planning decision, completion of financial commitments, start of construction, and issuance of a Certificate of Occupancy (CO)?

Key Dates:

Land Acquisition	Start February 2008	Closing August 2011
City PDP process (completed)	Start March 2008	Complete October 2008
City FDP process	Start November 2010	Complete July 2011
City DCP permit	Receive in July 2011	
Construction (infrastructure)	Start August 2011	Complete October 2011
Construction (buildings)	Start June 2012	Complete August 2013
Certificate of Occupancy	Receive in early August 2013	
Student Move in	Mid-August 2013	

For a more in depth analysis of the timetable for completion, see attached *Master Development Schedule*.