



MEMORANDUM

Date: October 7, 2008

To: CH2MHILL

From: THK Associates, Inc.

Re: Summary of Economic Impacts Resulting From U.S. Highway 24 Being Upgraded to the Recommended Alternative

This memorandum summarizes the economic effects to the area effected by the upgrading of U.S. Highway 24 to the recommended alternative from current conditions. The net effect of the required acquisition and development/redevelopment are an increase of \$1,478,529 in property taxes, an increase of \$3,721,983 in sales taxes, 641 additional employees, and over 1,000 new residents.

Market Analysis

In May of 2006 THK Associates, Inc. prepared a market analysis to determine the economic effects created by the upgrade of U.S. Highway 24 to recommended alternatives from current conditions. The analysis indicted positive economic effects would result from upgrading the highway in terms of increased demand for a variety of land uses.

The market analysis analyzed employment, population, household, demographic, and other trends to estimate current and future demand for retail/commercial, office, flex/industrial, hotel, and residential land uses. This was done for existing conditions and three alternatives (expressway, freeway, and "as-is") for U.S. Highway 24 improvements. A comprehensive inventory of existing land uses was also compiled. A comparison of supply and demand data resulted in the following market potentials for the U.S. Highway 24 environs, if the recommended alternative conditions exist.

Summary of Real Estate Demands for the U.S. Highway 24 Primary Trade Area (Recommended Alternative)

| | Annual Sq.Ft./Units | 10 yr. Cumulative Sq.Ft./Units | 10 yr. Acreage Requirements |
|----------------------------|---------------------|--------------------------------|-----------------------------|
| Retail | 32,094 | 320,940 | 36.8 |
| Office | 112,673 | 1,126,726 | 103.5 |
| Hotel | 81 | 809 | 20.2 |
| Industrial | 28,292 | 282,920 | 18.6 |
| Rental Apartments | 73 | 731 | 48.7 |
| Condominiums and Townhomes | 29 | 290 | 29.0 |
| Single-Family Detached | 218 | 2,183 | 727.8 |
| | | Total | 984.6 |

Note: Retail coverage is estimated at 20%, office coverage is estimated at 25%, hotel at 40 rooms per acre, industrial/flex at 35%, rental apartments at 15 per acre, townhome/condo at 10 units per acre, and single-family at 3 units per acre

Source: THK Associates, Inc.

Effects of Acquiring the Required Properties

The next step in this process was to estimate the amount of property, sales taxes, and job/population displacement that would occur due to acquisition of properties required to construct the proposed upgrade of U.S. Highway 24 to the recommended alternative. These effects were outlined in THK Associates, Inc. memorandum completed in April of 2008. As a result of acquiring the required properties, there would be a reduction of \$8,582,350 in assessed value and \$521,113 per year in property taxes to various entities. In addition, sales taxes would be reduced by \$4,728,901 per year.

The demand for many of the retail goods/expenditures will remain constant in area from residents and employee regardless of the removal of some establishments. This demand will simply shift to other retail outlets. The properties acquired for the project would also displace 1,859 employees and 76 residents. Of the total retail expenditures illustrated in the May 2006 market analysis, approximately 75% are made for items such as automotive, clothing, furniture and equipment, restaurants, and other retail items. Of the \$4.73 million dollars in reduced retail sales taxes, it is estimated that \$3.55 million dollars will remain in the El Paso County/Colorado Springs environs, resulting in a net reduction of \$1.18 million dollars in annual sales taxes.

Effects of Development/Re-development

The final step of this exercise was to identify the areas along the recommended alternative that are most likely to have pressures for development and re-development. THK Associates, Inc. identified these areas along with likely land uses that would develop/re-develop. Among five designated areas, it was determined that there are 116-acres of land likely to develop/re-develop as a result of the recommended alternative. For these 116-acres THK Associates, Inc. estimates the following land uses.

| <u>Use</u> | <u>Square Feet</u> | <u>Units</u> | <u>Acres</u> | <u>Percent of Total</u> |
|----------------|--------------------|--------------|--------------|-------------------------|
| Retail | 421,661 | -- | 44.0 | 37.9% |
| Office | 130,680 | -- | 10.0 | 8.6% |
| Hotel | -- | 400 | 10.0 | 8.6% |
| Apartments | -- | 330 | 22.0 | 19.0% |
| Condo/Townhome | -- | 100 | 10.0 | 8.6% |
| Single-Family | -- | 100 | 20.0 | 17.2% |
| TOTAL | 552,341 | 930 | 116.0 | 100.0% |

These land uses will generate approximately \$177,534,080 in market value and \$33,327,363 in assessed value. Using an average mill levy of 60, the development/redevelopment will generate approximately \$1,999,642 in annual property taxes. This is almost four times the amount of property taxes being reduced from the tax rolls for properties necessary to accommodate the recommended alternative.

Sales taxes generated from new retail and lodging uses are estimated to total \$4,892,983 annually. This compares to the \$1.18 net loss of sales taxes from the property acquisitions.

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The development/re-development will generate approximately 2,500 employees and 1,160 residents more than off-setting the displacement associated with property acquisitions.

In summary, the development/re-development that will occur due to the improvements to U.S. Highway 24 will more than offset any reductions in revenues and the net effect is expected to be an increase in economic activity.