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ECONOMIC DEVELOPMENT

Capturing the Gold

How Colorado Springs kept the U.S. Olympic Committee from moving to a bigger city

By KRIS HUDSON
July 28, 2008; Page R6

COLORADO SPRINGS, Colo. -- As athletes world-wide prepare for next month's Olympic games, this city is basking in its own victory: retaining the headquarters and training campus of the U.S. Olympic Committee despite competition from bigger cities.

In late March, Colorado Springs and local developer LandCo Equity Partners completed a \$53 million deal that will keep the USOC in the city for at least 15 years and perhaps as long as 25. Clinching the pact required the same kind of determination and resourcefulness that it takes to win many Olympic contests.

THE JOURNAL REPORT



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"This is a watershed event for Colorado Springs in terms of economic development," says Mike Anderson, the city's deputy manager. "The broad partnership put together is

hopefully a model that can be used in the future."

Under the deal, the city and LandCo next year will deliver to the USOC two downtown buildings to house its headquarters staff and those of the national associations of several Olympic sports. As soon as the Beijing games conclude, LandCo will begin tearing down several buildings on the USOC's 30-acre training campus just blocks from downtown and erecting 158 dormitory units and family-housing units there for athletes.

Victory for Colorado Springs

Keeping the USOC is a financial and moral victory for Colorado Springs, a city of 373,000 that also is home to the U.S. Air Force Academy, Pro Rodeo Hall of Fame and religious groups such as Focus on the Family. An economist hired by Colorado Springs calculated that the USOC and affiliated groups pump an estimated \$341 million annually into the city's economy in the form of wages, taxes, lodging revenue and car-rental fees, among other things. The USOC campus hosts 10,000 athletes a year, and its visitor center and gift shop get 120,000 visitors annually.

The USOC says it was prepared to move if Colorado Springs's offer fell short. More than 10 other cities were considered, including the Los Angeles area, Denver and Chicago. Ultimately, the USOC's final decision between Chicago and Colorado Springs was "extremely close," says Jim Scherr, USOC chief executive and a freestyle wrestler on the 1988 U.S. Olympic team.

"We were hopeful that Colorado Springs would be able to put together a proposal that would meet our needs," Mr. Scherr says. "But absent a proposal that did just that, we were fully prepared to move the headquarters. We have a fiduciary responsibility to the organization and the Olympic movement in the U.S."

OLYMPIC TRIAL

- **The Problem:** The U.S. Olympic Committee, in search of more modern facilities, was contemplating a move to a bigger city from Colorado Springs.
- **The Economic Game Plan:** The city teamed up with a local developer to offer the USOC a \$53 million deal that included two downtown buildings

The USOC first arrived in Colorado Springs in 1977, electing to lease a former Air Force campus from the city at a cost of \$1 per year and establish a training facility there. A year later, the USOC moved its headquarters to the campus from New York. USOC officials and athletes alike embraced the city's quality of life, mild weather and the view of Pikes Peak dominating the horizon. Also, the athletes benefit from training at a high altitude. Colorado Springs is 6,035 feet



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and an overhaul of its training campus.
• The Results So Far: The USOC agreed to stay put for at least the next 15 years.

above sea level.

Yet, even with the addition of a few modern buildings on the campus before the 1996 Atlanta Games, the decades-old campus eventually fell short of the USOC's needs. Most athletes there live in cinder-block dorm buildings first used by the Air Force in the 1950s. The USOC says one office building on campus has water leaks and an inconsistent elevator in addition to being confined and cramped and unable to support advanced computer and communications networks.

Early last year, Mr. Scherr decided the USOC needed to upgrade its digs. He enlisted James Didion, former chairman of real-estate services firm CB Richard Ellis, to sound out several cities, including Colorado Springs, on what they would offer the USOC. Colorado Springs officials quickly solicited local developers for help, knowing that the city couldn't best the likes of Chicago on its own.

The city teamed up with LandCo, reasoning that it could beat other cities by delivering facilities to the USOC more quickly, because LandCo already was planning an eight-story, 40,000-square-foot building downtown that could be offered as a headquarters for the USOC. LandCo founder and Chief Executive Officer Ray Marshall is a fourth-generation native of Colorado Springs whose company has built a variety of real-estate projects in Colorado, Texas and Arizona.

Additionally, the city included a separate building downtown -- that it would buy from the city's utilities division and remodel -- to house the national associations of several Olympic sports.

Lining Up Financing

The trick to the proposal was financing. Colorado law prohibits municipalities from increasing their indebtedness without approval from voters. But Colorado Springs didn't have the time or the leeway to gamble on a public vote. So, city officials opted to use certificates of participation, a form of long-term lease-purchase financing that doesn't legally qualify as debt.

The city used nearly \$21 million from the certificates to buy six floors of the proposed headquarters building from LandCo and designate it as collateral. The city will sublease the six floors at no cost to the USOC, which will pay only utility bills for the space. Certificate holders, meanwhile, will receive payments from the city's general fund.



The \$21 million won't completely cover the \$27 million that LandCo is spending to renovate and expand the headquarters building. To recoup some of the remaining costs, LandCo will retain the first two floors, where it will establish a visitor center and interactive "Olympic experience" exhibits that will, for example, allow visitors to feel the sensation of sprinting at world-record speed. Sales generated by that operation will help LandCo defray its costs.

Meanwhile, LandCo will use debt to finance \$16 million in construction of athlete housing on the USOC campus. In turn, the city has designated several buildings that LandCo owns downtown as a tax-increment-financing district, amounting to an eventual tax savings of \$6 million to \$7 million for the company.

All told, LandCo won't directly or immediately recoup the money it is contributing. But it expects to benefit in other ways. Moving the USOC headquarters downtown, where LandCo owns other buildings, likely will boost property values and lease rates there. Also, LandCo gets to market itself as a real-estate adviser to the USOC.

"We're definitely not going to make a profit," LandCo's Mr. Marshall says. "However, as a long-term investment, we believe it will reap returns far greater than the investment made."

Contributions from the city and LandCo weren't enough to win over the USOC, however. The local El Pomar Foundation, created by the owners of Colorado Springs' Broadmoor Hotel, kicked in \$2 million to be used to remodel the utilities building and prepare temporary office space for the USOC to use during the move. Word then got to Mayor Lionel Rivera that the USOC wanted the state to participate, too. So the mayor in March asked a friend, a retired Air Force officer, to fly him in a small, private plane over the mountains, skimming just 2,000 feet above the peaks. Their destination: Grand Junction, Colo., where the board of the state's economic-development division was meeting. There, the mayor secured a \$500,000 contribution from the state to be used toward the USOC's moving expenses.

The USOC agreed to reimburse the city for all of its costs if it leaves Colorado Springs in the next 15 years. Thereafter, the USOC will repay the city a progressively smaller amount if it departs in any of the next 10 years.

As part of the deal, the city gets to use the USOC logo and name in its marketing. "We hope to bring in a lot more sporting events, conferences and anything related to the USOC," Mayor Rivera says.

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