

September 17, 2013

Urban Renewal Authority

A meeting of the Fort Collins Urban Renewal Authority was held on Tuesday, September 17, 2013, at 6:00 p.m., in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Overbeck, Poppaw, Troxell, and Weitkunat.

(Secretary's note: Boardmember Cunniff arrived at 6:11 p.m.)

Boardmembers Absent: Campana, Horak

Staff Members Present: Atteberry, Nelson, Roy.

Agenda Review

Executive Director Atteberry stated there were no changes to the published agenda.

Citizen Participation

Eric Sutherland, 3520 Golden Currant, stated he has submitted a complaint to the Division of Property Taxation alleging a violation by the Larimer County Assessor regarding the Downtown Development Authority.

**Consideration and Approval of the June 18 and July 2, 2013
Urban Renewal Authority minutes, Adopted**

Boardmember Poppaw made a motion, seconded by Boardmember Troxell, to approve the minutes of the June 18 and July 2, 2013 Urban Renewal Authority meetings. Yeas: Poppaw, Troxell, Weitkunat and Overbeck. Nays: none.

THE MOTION CARRIED.

Resolution No. 061

**Approving a Redevelopment Agreement Between the Fort Collins Urban Renewal Authority and Prospect Station, LLC, for the Prospect Station Project and a
Related Loan from the City of Fort Collins, Adopted**

The following is the staff memorandum for this item.

“EXECUTIVE SUMMARY

The purpose of this item is for the Urban Renewal Authority (URA) Board to consider approval of a Redevelopment Agreement between the URA and Prospect Station, LLC.

Prospect Station will be a new mixed-use development proposed within the Prospect South Tax Increment Financing (TIF) District. This project will remediate blight by conducting environmental mitigation, upgrading infrastructure, and enhancing public amenities. The Redevelopment Agreement would authorize a \$494,000 tax increment reimbursement obligation to Prospect Station LLC (Developer) for eligible project costs. Half of the reimbursement would be provided to the Developer upon completion of the project and verification of costs, and the remaining half would be dispersed in annual payments over the remaining life of the TIF District.

BACKGROUND / DISCUSSION

In September 2011, City Council approved the creation of the Midtown Urban Renewal Plan Area and Prospect South Tax Increment Financing (TIF) District, beginning the 25-year timeframe within which the Fort Collins Urban Renewal Authority (URA) collects tax increment from within the District. Per Colorado Revised Statutes § 31-25-101 et seq. (Urban Renewal Law), the URA then has the ability to provide financial assistance to projects that remediate blight. Prospect Station LLC (Developer) submitted a formal application to the URA in June 2013 requesting TIF for a new project. URA staff has since negotiated a Redevelopment Agreement, which is now ready for formal consideration by the URA Board. The details of the project and financial assistance structure are summarized below; additional detail can be found in the attached URA Application and Redevelopment Agreement.

Project Description

Prospect Station will be a new, three-story mixed-use development located at 221 West Prospect Road (south side of Prospect Road to the west of the MAX guideway and Mason Trail). There will be 32 residential rental units, offering a combination of studio, one-, two-, and three-bedrooms, for a total of 49 bedrooms. A total of 48 parking spaces will be provided; 37 on-site and 11 off-site. The commercial portion will be 1,040 square feet and include two ground-floor, live-work units that allow residents to operate a home-based business (the site plan is included as Exhibit A of the Redevelopment Agreement).

The site is the former location of a gas station and is considered to be a brownfield, meaning there are hazardous environmental contaminants that require remediation. It has been vacant and underutilized since, and was acquired by the Developer in 2006. The Project Development Plan (PDP) was approved by the City in summer 2013. Construction is anticipated to begin by October 2013, and completed no later than fall 2014.

Tax Increment

Based on an estimate of value provided by Larimer County (see Exhibit C of the Redevelopment Agreement), Prospect Station, once complete, is expected to generate \$39,156 per year of tax increment revenue. Based on a conservative projection that assumes no appreciation, the project will generate a total of \$865,340 over the remaining 23-year life of the Prospect South TIF District.

Eligible Costs

The total project cost is \$5,980,924, which includes land acquisition and construction of the project. Of this total, the Developer originally requested \$772,879 in TIF assistance; however, that amount was negotiated to \$494,000 for various improvements, which have been verified to be eligible costs according to Urban Renewal Law and are listed in Table 1.

One aspect to bring to the Board's attention is the fact that the Developer has already incurred costs associated with the line item "extend and upgrade water and sewer line". Pursuant to URA policy, TIF may be used to retroactively reimburse costs incurred prior to approval of the Redevelopment Agreement, provided such costs are hard costs associated with public improvements. In this case, the segment of Prospect Road in front of the project site was planned to be closed for several weeks this summer due to construction. Knowing that the extension and upgrade of the water and sewer line for this project would require closure of Prospect Road, the Developer coordinated the timing of that improvement with the planned construction in order to avoid a second closure of Prospect Road later this year. Staff recommends such costs remain eligible for reimbursement and are thus included in the Redevelopment Agreement; this decision, however, is ultimately the URA Board's.

Table 1: Eligible Costs

Description	Amount
<i>Environmental Mitigation</i>	
<i>Installation of underground environmental vapor barrier</i>	\$15,000
<i>Materials testing</i>	\$8,750
<i>Deconstruction of existing structure and improvements, and Phase 1 environmental report</i>	\$32,000
<i>Removal of soil at old tank locations, replaced with new structural fill</i>	\$62,000
<i>Infrastructure Upgrades</i>	
<i>Upgrade stormwater system</i>	\$72,124
<i>Modify and enhance the Prospect Road Transport bus pullout</i>	\$63,472
<i>Extend and upgrade water and sewer line¹</i>	\$93,778
<i>Public Amenities</i>	
<i>Enhanced public plaza adjacent to transportation corridor including seating, lighting, dog waste station, bike fix-it station, and enhanced landscaping</i>	\$137,500
<i>Facade Enhancements</i>	
<i>Enhancements to facade to address four-sided architecture</i>	\$9,376
Total TIF Requested	\$494,000

¹ These costs have already been incurred by the Developer. The URA does not typically reimburse for costs incurred prior to the Redevelopment Agreement, but exceptions are allowed for hard costs related to public improvements, subject to URA Board approval.

Blight Remediation/Public Benefit

Urban Renewal Law identifies eleven factors of blight; this project will remediate several that were identified within the Prospect South TIF District, including:

- Slum, deteriorating, or deteriorating structures
- Deterioration of site or other improvements
- Environmental contamination of buildings or property

Additionally, Prospect Station supports a number of City Plan policies, including:

- *EH 4.1 Prioritize Targeted Redevelopment and Infill*
- *ENV 17.2 Manage Hazardous Materials and Waste*
- *LIV 5.2 Target Public Investment Along the Community Spine*
- *LIV 35.2 Mix of Uses*
- *LIV 43.3 Support Transit-Supportive Development Patterns*
- *T 9.2 Pedestrian, Bicycle and Transit Interface and Access*

Redevelopment Agreement

Based on an evaluation of eligible costs and blight remediation, URA staff supports the project and has negotiated a Redevelopment Agreement with the Developer. This Agreement is unique in that it blends reimbursement methodologies, but is believed to result in a compromise that provides benefit to the project while mitigating risk to the URA.

The Agreement would create a reimbursement obligation from the URA to the Developer for up to \$494,000 of tax increment. This amount would be used for approved, eligible costs that will ultimately be verified based on invoices for actual work completed. The reimbursement is structured so that half, or \$247,000, would be reimbursed to the Developer in a lump sum upon completion of the project. The remaining \$247,000 would be dispersed to the Developer through annual payments of \$11,762 until 2036. The reimbursement obligation represents approximately 60% of the total tax increment that will be generated by the project.

The URA will not have sufficient fund balance to pay the \$247,000 lump sum to the Developer, and has thus requested a loan from the City of Fort Collins. The Loan Agreement will be considered separately from the Redevelopment Agreement; it is based on current City policy in terms of interest rate, which is anticipated to cost the URA approximately \$166,515 (note this is an estimate based on what the rate would be today, which may change once it is time to execute the loan). Combined, the reimbursement obligation and financing cost to the URA represents \$660,515 or 80% of the total increment generated by the project.

FINANCIAL / ECONOMIC IMPACTS

If approved, this Resolution creates a URA reimbursement obligation of up to \$494,000 of tax increment to the Developer, which represents 57% of the total estimated increment generated by the project. Due to the reimbursement structure, the URA will seek a loan for half of the reimbursement obligation from the City once the project is complete; the remaining obligation will be paid to the Developer from annual increment revenue generated by the project. The total cost to the URA when financing costs are considered is estimated to be \$669,284, or 77% of the total estimated increment.

ENVIRONMENTAL IMPACTS

Since the site was formally a gas station, there are environmental hazards associated with such a use that must be mitigated prior to its redeveloping. The Developer has already invested in some of the steps necessary to mitigate such hazards, and will finish the process to clean up the site as part of this project."

Tom Leeson, Redevelopment Program Manager, stated this Resolution would adopt a redevelopment agreement between Prospect Station, LLC and the Fort Collins Urban Renewal Authority. Leeson described the proposed 3-story mixed-use project. He noted the site is a brown field site and stated significant environmental remediation has occurred. Leeson discussed the tax increment financing and reimbursement details.

Eric Sutherland, 3520 Golden Curren, questioned the existence of the urban renewal law statute and stated the estimated revenues of the project are necessary in order to determine whether or not the tax increment financing is appropriate.

Mel Hilgenberg, 172 North College, opposed any financial support for infrastructure needs of the proposed on-campus stadium at CSU.

Connie Dohn, Prospect Station, LLC, discussed the history of the property and stated the financial assistance from the URA is necessary for the project to occur.

Boardmember Overbeck asked what the budget for deconstruction will fund. Leeson replied the deconstruction budget is part of the demolition cost and the intent is to recycle 100% of concrete, asphalt, metals, and wood, dependent upon contamination.

Boardmember Overbeck asked if the demolition and recycling would be itemized. Leeson replied documentation and receipts will be required for all eligible costs prior to reimbursement. He noted the current City Code does not require recycling of those materials in deconstruction.

Boardmember Cunniff asked why the item is listed as deconstruction when it is not specifically that. Leeson replied the term could be changed to demolition and recycling rather than deconstruction.

Boardmember Cunniff asked if there is an assessment of the "if not, but for" criteria. Leeson replied there is a pro forma in the application regarding the project's expected returns with and without the assistance. Additionally, the URA did a financial analysis and both indicated the assistance is required to keep the project from having negative returns.

Boardmember Cunniff suggested making the first year's award be contingent upon following through and adhering to the proposed plan. Leeson suggested asking the question of the applicant.

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Doug Dohn, Prospect Station, LLC, replied the intent is to recycle all of the asphalt and concrete on the site. Should the engineering firm find contamination, materials will be dealt with as necessary to meet EPA regulations.

Boardmember Cunniff asked if the applicant would be amenable to a clause requiring recycling of 100% of the recyclable materials. Mr. Dohn replied in the affirmative and stated that is the practice of his company.

Mayor Weitkunat requested a detailed description of the blight and mitigation thereof in the area. Leeson replied the site is considered a brown field and has environmental contamination issues which qualify as blight. Additionally, the aging building and infrastructure also contribute to the blight classification.

Boardmember Troxell asked if the gas tanks are still in the ground. Leeson replied in the negative.

Boardmember Troxell asked if the annual payment amount of \$247,000 is a future or present value amount. Leeson replied it is \$247,000 paid over 21 years. The total reimbursement amount will be \$494,000 in present value dollars.

Boardmember Troxell stated the right types of projects should be incentivized; therefore, he will support this item.

Boardmember Overbeck made a motion, seconded by Boardmember Poppaw, to adopt Resolution No. 061.

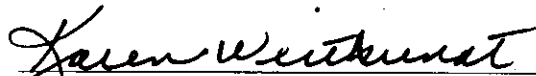
Boardmember Cunniff requested a friendly amendment to the motion to require the Executive Director to execute a modified agreement that includes a performance assessment of the deconstruction aspect of this project prior to the first payment of the tax increment funding. Boardmembers Overbeck and Poppaw accepted the amendment.

The vote on the motion was as follows: Yeas: Troxell, Weitkunat, Overbeck, Cunniff and Poppaw. Nays: none.


THE MOTION CARRIED.

Adjournment

The meeting adjourned at 6:43 p.m.


Chair

ATTEST:


Secretary

