

AGENDA ITEM SUMMARY
URBAN RENEWAL AUTHORITY

ITEM NUMBER: 3

DATE: April 21, 2009

STAFF: Wanda Krajicek

SUBJECT

Consideration and Approval of the Minutes of the March 24, 2009 Meeting.

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URBAN RENEWAL AUTHORITY

A regular meeting of the Urban Renewal Authority was held on Tuesday, March 24, 2009, at 6:40 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Hutchinson, Manvel, Ohlson, Roy, and Troxell.

Boardmembers Absent: Poppaw

(Boardmember Brown excused from Council meetings from October 28, 2008 through April 7, 2009, authorized by Resolution 2008-104.)

Staff Members Present: Atteberry, Krajicek, Roy.

Resolution No. 015

Approving a Financial Agreement Between the Fort Collins Urban Renewal Authority and Union Place, LLC, for Union Place, Adopted

The following is staff's memorandum on this item.

“FINANCIAL IMPACT

There will be significant and beneficial financial impacts resulting from the construction of Union Place to both the Fort Collins Urban Renewal Authority (URA) and the City of Fort Collins. Over the course of 20 years (i.e., the time period in which the project will generate tax increment), the project will generate an estimated \$4.26 million in property tax increment, of which \$2.2 million is proposed to be utilized for public improvements. Approximately \$400,000 will be additional financing cost to the URA for the improvements.

The City of Fort Collins will gain the completion and construction of two street improvement projects, financed mainly through the generation of tax increment financing (TIF) from this project and street oversizing funds. The first is the complete construction of Mason Street from Willox Lane to the south property line of the subject property. The second roadway enhancement is Willox Lane along the frontage of the property, including construction and installation of curbs, gutters, sidewalks, and an enhanced streetscape. At present estimates, these two public improvements will cost roughly \$682,000, of which \$554,000 will be reimbursed by tax increment and the remaining \$128,000 paid through the street oversizing fund reimbursement. The remaining requested funds will pay for sustainable energy efficient technology and implementation totaling \$1,646,000.

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The proposed Union Place project will result in a loan from the City of \$2.6 million for all public improvements, including financing costs. The combination of sustainable on-site improvements and street improvements totals the above-mentioned \$2.2 million, of which tax increment financing will be utilized. All of these improvements will raise the profile of the North College area as a desirable location and continue the momentum of infrastructure improvements.

EXECUTIVE SUMMARY

Union Place, LLC ("Project Applicant") is proposing to build a LEED-certified, sustainable mixed use development with affordable housing as the main driving factor. There will be approximately 75 housing units of various types and 19,000 square foot retail frontage along Willox Lane. This project will allow more housing options for an ideal, leading green-built housing project within a community that needs additional housing. This project will support pre-existing local small businesses with new consumers and help stimulate additional economic growth by creating affordable and sustainable housing.

Due to extraordinary project site constraints, as well as generating a reasonable return on investment, the project applicant has requested URA participation on public improvements totaling \$2.2 million. Staff's opinion is that this project will lead by example in the methods of sustainable housing projects and will serve as a vehicle for many first time homebuyers to own homes.

BACKGROUND

The site is located on the southwest corner of Willox Lane and the future Mason Street connection. The site is approximately 10.2 acres in size and is zoned Community Commercial North College zone (CCN).

In November 2008, the applicant submitted a URA request for tax increment to execute this project. The applicant has attended the North College Citizen Advisory Group meetings, the Conceptual Review process twice, several meetings of the North Fort Collins Business Association, and multiple meetings with City staff over the past months.

The project applicant presented its request to the North College Urban Renewal Plan Area's Citizen Advisory Group ("CAG") in December 2008. The CAG recommended approval of the project to the Commission of the Fort Collins URA on January 8, 2009. The following is the motion made by the CAG: "The CAG approves the request of the TIF for \$2.2 Million and make a recommendation to the URA Board of Commissioners for approval."

The main factor driving the need for public participation in Union Place is the extraordinary costs related to developing this site. The location is a vacant parcel with an identified future stormwater detention pond and the future Mason Street connection planned within the parcel boundaries. Both are recognized infrastructure needs for the City, according to the North College Corridor Plan,

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Master Street Plan and Stormwater Master Plan. Within this 10.2 acre site, these infrastructure demands consume approximately three of those 10.2 acres, therefore making 30% of the site undevelopable. The future Mason Street connection is envisioned to continue from Alpine Street to Willox Lane. The City's development review team is requiring Mason Street to be built complete with utilities. The purpose for this is to begin the Mason Street connection and stimulate continual investment into its completion south to Alpine Street. Although this is a great planning idea to encourage transportation improvements, it impacts the applicant's ability to make this project financially feasible.

Another important element for supporting this project is the combination of sustainable elements, LEED-certification, enhanced landscaping and energy-efficient technologies within the site. The applicant will be utilizing materials that will attempt to eliminate Stormwater runoff completely. These methods will be primarily in the right-of-way and include bioswales, tree wells, permeable hardscapes, xeroscaping, and rain gardens. The renewable energy component involves installation of a geothermal field for heating and cooling. A notable element of the project is the public educational component throughout the site identifying and explaining the sustainable technologies used through signage. The project also includes a private park featuring many site amenities including benches, bike racks, and trees. These elements will cost approximately \$1.64 million to implement.

The applicant has extensive knowledge in implementing these sustainable technologies and was awarded the "Green Design" award from the 2008 City of Fort Collins Urban Design Awards. Union Place, LLC is also a member of the North Fort Collins Business Association and has received significant support from this organization.

Summary of Financial Impact on the Urban Renewal Authority

The first step staff took in evaluating the proposed redevelopment was validating the projected property tax increment resulting from the construction of the project. Staff has evaluated the overall property tax increment and calculates it to be \$4.2 million over 20 years. Staff then began negotiations with the applicant and determined what public improvements were needed and would result from this development, suggesting participation from the URA was a justified.

URA staff reviewed the potential improvements and determined that based on the project being classified as an energy-efficient, sustainable, affordable housing mixed-use project, the following items are eligible for tax increment financing:

<i>Off-site Street Improvements (Willox Lane)</i>	<i>\$ 234,719</i>
<i>Off-site Street Construction (Mason Street)</i>	<i>\$ 319,458</i>
<i>Enhanced Landscaping Features</i>	<i>\$ 350,000</i>
<i>Sustainability/LEED Technologies</i>	<i><u>\$1,295,823</u></i>
Total	<i>\$2.2 Million</i>

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Staff has had ongoing discussions with the project applicant and has reviewed the detail supporting these cost estimates for propriety and reasonableness. The project applicant will be available at the Hearing to discuss the costs proposed for public improvements as well as the cost of the project.

Since the URA will be borrowing the funds to cover these costs, staff has also estimated related financing charges totaling \$400,000 for the project.

After a review of the property tax increment projections, staff estimates the project would generate a revenue stream of \$4.2 million following completion of construction. Once the public improvements are funded and financing charges accounted for, approximately \$1.6 million would be available for other public improvements within the North College Plan Area.

Summary of Key Benefits to the URA/City from the Completion of Union Place

- 1. The URA gains a redevelopment project that helps revitalize North College and serves as a leader in affordability and sustainable technologies within the Plan Area.*
- 2. The URA provides financial assistance to a mixed-use commercial and housing project serving low income households.*
- 3. The URA provides financial assistance to its first affordable housing project.*
- 4. The URA gains an additional \$1.6 million for other public improvements in the Plan Area.*
- 5. The City benefits from street improvements to Willox Lane that include sidewalks, curbs, gutters and much needed public infrastructure that is currently non-existent.*
- 6. The City gains the first connection of Mason Street north of the Poudre River.*
- 7. The City gains a project that implements sustainable Stormwater technologies that almost completely eliminate the need for onsite detention.*
- 8. The City gains a project that will eliminate the need for natural gas utilities based on energy-efficient, geothermal technologies for heating and cooling of the entire project.*

Summary of Key Points Regarding the Redevelopment Agreement

- 1. The City will loan the URA \$2.6 million to finance the public improvements outlined in this Agenda Item Summary, paid back from tax increment revenues.*
- 2. The applicant will be responsible to maintain a minimum of 10% of the dwelling units as affordable housing.*

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3. *The applicant shall construct and install all public improvements related to Willox Lane and Mason Street improvements and will be reimbursed for these upon the completion of buildings on lots 1-18 within the site. These improvements are needed to substantiate the public improvement cost with property tax increment generated to cover the debt issued.*
4. *The URA will reimburse the applicant for the remaining public improvements related to enhanced landscaping and sustainability/LEED features at the completion of the project and valuation by the County Assessor's office.*
5. *The applicant agrees to a "Public Improvements List" (Exhibit C to the Agreement) that outlines expectations and timeframes required of the applicant.*

Applicable URA policies

"The URA will only assist development and redevelopment projects that meet the identified objectives of the respective Urban Renewal Plan (URP) area."

URA staff has identified the following components in conformance with the North College Urban Renewal Plan and integrated into the Union Place project.

- *"To facilitate redevelopment and new development by private enterprise through cooperation among developers and public agencies to plan, design and build needed improvements." The proposed project will be a private/public partnership that includes the completion of two street improvement projects. The participation level on both private and public sides is high and quite involved.*
- *"To address and remedy conditions in the area that impair or arrest the sound growth of the City." The North College corridor has been identified in City Plan as a Targeted Redevelopment Area. Policy GM-8.1. Specifically identifying the criteria such as under-utilized land; areas undergoing positive change; transportation opportunities; areas where infrastructure capacity exists; and areas where public investment is warranted from a policy perspective.*
- *"To effectively utilize undeveloped and underdeveloped land." This parcel of land has been vacant and its use has been limited based on the identified needs for a stormwater detention pond and road connection for Mason Street within this site. Both the stormwater detention and the road consume a large quantity of acreage that will remain undevelopable.*
- *"To improve pedestrian, bicycle, and vehicular circulation and safety." Pedestrian flow and safety is a main concern in the North College area. This project will provide curbs, gutters, and sidewalks along Willox Lane as well as the newly constructed Mason Street.*

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- *“To ultimately contribute to increased revenues for all taxing entities.” The proposed property tax increment generated from this project will ultimately increase the valuation of the surrounding area and benefit all taxing entities.*

*“The URA will consider TIF for infrastructure needs **normally required** of development and redevelopment projects if one or more of the following are met:*

- *The infrastructure is an extraordinary or usually costly remedy for blight factors.*
- *The project is for affordable housing.*
- *The infrastructure serves other development and redevelopment sites, facilitating further improvements of the area.”*

“The URA will also consider TIF for:

- *Enhancements and amenities that benefit the public such as streetscapes, enhanced architecture and building materials, special site improvements, etc.*
- *Projects that use the best available technologies and practices for renewable energy and/or energy efficiency.”*

“The URA’s priorities for providing TIF to development and redevelopment projects within the North College Corridor URP area are:

- *Enhancing transportation infrastructure.*
- *Expanding or upgrading utility infrastructure.*
- *Providing amenities that benefit the public including but not limited to streetscapes....that contribute to a positive identity and image for the North College area.”*

Christina Vincent, City Planner, stated the Project will be located on a 10.2 acre site on Willox, just west of North College Avenue. The Project has an affordable housing component and will use geothermal to provide heating and cooling. The frontage property along Willox will contain mixed-use commercial as well as work/live lofts. Single-family row homes will be included on the site that will be built to LEED certification standards. Habitat for Humanity is considering the purchase of some of the home sites in the Project. Condominiums will also be built as part of the Project. Part of the land is identified as a detention pond. The developer is seeking tax increment financing of \$2.2 million, not including financing costs of \$400,000. The public improvements will include improving Willox Lane to current standards, construction of Mason Street, landscaping upgrades on site and sustainable implementation, using geothermal. This Project meets many of the requirements for URA involvement and TIF financing as the infrastructure is unusually costly, contains affordable

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housing, facilitates further improvements in the area, provides amenities that benefit the public and provides best technologies in renewable energy and efficiencies.

The total loan, according to the Redevelopment Agreement, would be \$2.6 million, including financing costs. The developer will be required to maintain affordable housing minimum of 10%, even though the developer has guaranteed more affordable housing. The Redevelopment Agreement contains two reimbursements. The first is for the street improvements that are done to be reimbursed once Lots 1-18 are completed. The second reimbursement for the remaining public improvements will occur once the entire project has achieved its assessed value from Larimer County.

City Attorney Roy noted the Board will be considering a revised version of the resolution with a modified fourth Whereas clause to reflect the fact that not all 75 units will be affordable housing. A minimum of 10% affordable housing is required and the Project will exceed that minimum but not all the units will qualify as affordable housing.

Boardmember Ohlson asked for a definition of affordable housing and for clarification of the amount of affordable housing to be provided by the Project. Vincent stated the Land Use Code requires a minimum of 10% affordable housing. The developer proposed 20% affordable housing in the URA application, with the intent of providing more than the minimum that is required. The developer is planning to have more than 30% of the housing in the Project qualify as affordable housing. Joe Frank, Advance Planning Director, stated affordable housing is defined as units that would be affordable to households earning 80% or less of the median income (AMI) of city residents and paying less than 30% of their gross income for housing. The units would be owner-occupied in this Project. Vincent noted the FHA rate for affordable housing in Fort Collins is under \$220,000.

Donna Merten, developer and owner of Merten, Inc, stated the goal of the Project is to provide at least 30% affordable housing. Habitat for Humanity is interested in some of the sites and might use the criteria of 50% AMI for the potential owners.

Boardmember Roy asked how the Poudre River Corridor will be protected with the extension of Mason Street proposed for this Project. Frank stated Mason Street will not cross the Poudre River but will start at Alpine Street, several hundred feet north of the River. The proposed Mason Street will not become part of the Mason Corridor.

Boardmember Manvel asked if extending Mason Street will impact the mobile home community located south of the Project and what are the long term plans for mobile home communities located in the North College area. Frank stated the long term goal is to preserve the mobile home communities as affordable housing units, to the extent possible. The City is not forcing Mason Street through the mobile home park but Mason Street will be extended as redevelopment occurs. Each situation will be handled as it arises and staff will work with the developer and residents in terms of redevelopment or relocation. The owners of the mobile home park have not given any indication at this time that they intend to redevelop their property.

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City Manager Atteberry stated Transportation Services will provide information concerning connectivity and the importance of Mason Street to this area.

Boardmember Ohlson asked about the concerns of the North College Citizen Advisory Group (CAG) reflected in its 7-1 vote for this Project. Vincent stated one member was concerned that the cost of the technology, such as the geothermal, to be implemented in the Project would be borne by the homeowner and would move the units out of the affordable housing price range.

Boardmember Ohlson asked what percentage of the tax increment financing (TIF) will be used for the Project and how it compares to the percentage used for the North College Marketplace Project. Vincent stated 60% of the TIF will be used for the Project, not including the financing. The North College Marketplace Project will use 75% of the TIF, including the financing.

Boardmember Ohlson asked for information about any stormwater projects that will occur as part of this Project. Vincent stated the developer must go through the planning development process and the design of any stormwater projects will come from that process. The Project proposes to use best practices for stormwater drainage using bio-swales, permeable hardscape, and pervious pavement.

Boardmember Manvel asked if it would be possible to offer incentives to developers to provide more than 10% affordable housing and why the agreement only listed 10% affordable housing if the developer plans on building more. Vincent stated the agreement matches the requirements of the Land Use Code. Council can choose to make the percentage higher in the redevelopment agreement. Ms. Merten stated the percentage of affordable housing could be higher if there is additional funding available.

Mayor Hutchinson noted the percentage of affordable housing could be determined during the development process.

City Attorney Roy read the changes to the resolution. The new Whereas clause now reads "Whereas, when completed, the Project will consist of commercial and residential uses on a 10.2 acre parcel, with approximately 19,000 square feet of commercial use and with no less than 10% of the housing consisting of affordable housing units." He noted the Redevelopment Agreement that will be approved with adoption of this resolution will only require 10% affordable housing.

Boardmember Ohlson made a motion, seconded by Boardmember Roy, to adopt Resolution No. 015, as revised.

Boardmember Ohlson stated the Project will meet the City's goal of infill and redevelopment and the TIF financing is needed to overcome major infrastructure problems. The Project will provide affordable housing, LEED certification and innovative stormwater and energy proposals.

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Boardmember Manvel stated the Project will bring more redevelopment to the North College area and the public funding for infrastructure improvements is needed.

Boardmember Troxell stated the Project will demonstrate new, innovative energy practices.

Mayor Hutchinson stated the URA is providing an enabling role in the redevelopment of the North College area.

The vote on the motion was as follows: Yeas: Hutchinson, Manvel, Ohlson, Roy and Troxell. Nays: none.

THE MOTION CARRIED.

Adjournment

The meeting adjourned at 7:20 p.m.

Mayor, Ex Officio President

ATTEST:

City Clerk, Ex Officio Secretary